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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

**Reference: Commercial regional aviation services in Australia and alternative
transport links to major populated islands**

WEDNESDAY, 7 MAY 2003

WAGGA WAGGA

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 7 May 2003

Members: Mr Neville (*Chair*), Mr Andren, Mr Gibbons, Mr Haase, Ms Ley, Mr McArthur, Mr Mossfield, Ms O'Byrne, Mr Schultz and Mr Secker

Members in attendance: Mr Andren, Ms Ley, Mr McArthur and Mr Schultz

Terms of reference for the inquiry:

To inquire into and report on:

Commercial regional aviation services in Australia and alternative transport links to major populated islands.

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Committee met at 8.34 a.m.**BRIGGS, Mrs Julie Maria, Executive Officer, Riverina Eastern Regional Organisation of Councils****CUMMINS, Mrs Lola May, Deputy Chairperson, Riverina Eastern Regional Organisation of Councils**

ACTING CHAIR (Mr McARTHUR)—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services inquiry into commercial regional aviation services in Australia and transport links to major populated islands. This hearing is part of the committee's program of visits and hearings to different parts of Australia. These visits allow us to get into some of the issues raised in the 172 written submissions to the inquiry. I call the representatives of the Riverina Eastern Regional Organisation of Councils.

Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Do you wish to make any brief statement in relation to your submission or would you care to make some introductory remarks?

Mrs Cummins—Thank you. In 1992, the Riverina Eastern Regional Organisation of Councils, REROC, was formed. It has 15 member councils, including two water county councils. Some of the objectives of this organisation include: to participate in activities which promote effective regional development; to promote a sense of regional community within the eastern Riverina; to enhance the ability to achieve outcomes within this broader community, while respecting the diversity of aspirations and the importance of the individual communities involved; to facilitate regional planning on a range of environmental, economic, social and infrastructure issues; and to advance the interests of the region covered by the member councils. REROC represents the collective views of its members. The REROC region boasts an industry base including agriculture, forestry and wood processing, transport, research, education, government services and a soon to be commenced mining operation.

Transport links are vital for regional and rural communities, not only for freight but also for people. Airports in the REROC region are located at Tumut, Cootamundra, Temora, West Wyalong, Holbrook and Wagga. Each of those is not only a transport link but also in many cases an employment issue. For example, at Cootamundra Airport there are around 30 people employed—not necessarily running the airport, but servicing the aircraft and working in other associated industries.

Air travel is a form of public transport, and public transport is something of which there is a dearth in rural and, indeed, in regional areas. The cost of maintaining airports is one of the issues and the cost of air travel is another, making it very difficult, because of landing charges and other associated fees, for the smaller operators to actually run a viable service. If governments, either state or federal, are in fact quite serious about regional development and about curtailing the rush to Sydney, there needs to be assistance given in this very vital area.

ACTING CHAIR—Mrs Briggs, do you want to add to that?

Mrs Briggs—No; you have the submission.

ACTING CHAIR—You would be aware of the procedure: we will raise some issues with you. I will raise the first one: the matter of the airports and the ALOP scheme to return the airports to local councils. You did raise that in your opening remarks. Would you care to expand on that—would you in fact like the Commonwealth to take over the airport again or are you quite happy to have these local airports run by local government?

Mrs Briggs—As Councillor Cummins said, Tumut, Cootamundra, Temora, West Wyalong and Holbrook are all run by councils. Wagga Wagga runs its own airport, which it leases from the Commonwealth because of an arrangement here with the RAAF base. So we are already running the airports anyway. It is costing our councils substantial sums of money to maintain those airports. With the exception of Wagga, all the rest have no regular passenger transport services.

Country Connections, which used to operate at Cootamundra and West Wyalong, is not operating at all now. Tumut Shire has been trying to get an air service for some considerable time without success and has spent some funds upgrading the airport, with the aim of trying to secure a regular provider, which has not occurred yet. Temora is in a different situation. The primary purpose of the airport in Temora is tourism and industry rather than passenger services. It has a large aviation museum and it has managed to attract a substantial number of support providers and has been quite successful in creating an industry base around aviation.

But for Tumut, Cootamundra, West Wyalong and Holbrook—as you may be aware, Holbrook has a small airport—we estimate that it is costing about \$250,000 to \$300,000 a year just to maintain those airports in this region. Without any of them having a regular passenger service, there is virtually no revenue coming in to offset those costs. The councils are maintaining those airports to allow them the opportunity to take advantage if an air service decides it wants to again service those airports.

ACTING CHAIR—Do you see a long-term solution to this difficulty of the smaller airports being maintained and upgraded? The committee has heard some evidence in other places where there were major problems with regard to the airports being upgraded or just even being maintained in their current state.

Mrs Briggs—We would see it as a problem. As you would be aware, in New South Wales our councils are rate pegged. So it is not a case of councils being able to raise additional revenue from the ratepayers to offset these costs. It is always an opportunity/cost situation for our councils. It is a case of doing a balancing act—that is, what do we lose in order to keep something else running? It is not a case of, 'Let's pop the rates up a little bit more and we'll be able to keep all of these services going.' It just does not work that way in this state.

Our councils would be very reluctant to see these facilities downgraded. They are of great importance in the community. They are a signal to the community that the community is willing to support an air service. If the council were to stop maintaining or upgrading the facilities, it would send a fairly clear message to the community that they have given up on that scenario.

Most of the businesspeople would not support that. We see it as a long-term problem. As we raised in the submission, we would like to see some kind of financial support coming from the Commonwealth to assist us—

ACTING CHAIR—But the Commonwealth gave them back to the local councils. Would you reverse that decision? If the Commonwealth gave you some money, and the local councils were happy to accept that money, do you think that decision should be reversed so as to maintain these smaller airports in your group of councils?

Mrs Briggs—It is difficult. We have not specifically discussed them going back to the Commonwealth. I think it would be more cost effective for councils to run them, because they have people and facilities on the ground to do the work and to do general maintenance. If they go back to the Commonwealth, that will get the Commonwealth into a type of subcontracting issue. I think councils are better placed to provide a more efficient and effective maintenance service for these airports. But, in all honesty, the possibility of them going back to the Commonwealth has not been raised as an issue.

Mr SCHULTZ—Playing the devil's advocate, I used small airfields pretty regularly when I was a state member operating out of Cootamundra, and one of the issues that created the dilemma that council airports faced was the lack of support from the general public for the airlines running services from places like Cootamundra. That problem was of course compounded by the cost of flying from places like Cootamundra to Sydney, and it was further compounded by the upgrading of the Hume Highway, as people found it a lot easier to drive to Sydney than to fly. Having made those comments, what do you feel the government should do in terms of addressing the significant cost to council of maintaining the airports? What sort of contribution do you think governments should consider to alleviate the significant cost to operators of carrying passengers and supplying a service from places like Cootamundra?

Mrs Cummins—Part of the problem, as you have said, is the cost. When the federal government handed back the airports to local councils, there was a sum of money which came with that, but that was soon exhausted. As has already been outlined, there is difficulty in maintaining the airports to the standard, let alone upgrading. Airports are also, to some degree, a signal of community health. If a rural community has an airport, it signals to industry, to government and to various other organisations that this is a place that is easily accessible—there are transport links—and, because of that, it is vital that we do try to keep the airports. If the Commonwealth government were to give regular payments—maybe even as much as half the cost of maintaining the airports—that would certainly go a long way towards alleviating the problems that local governments are facing in maintaining airports.

Mr SCHULTZ—So you are saying that, apart from the issues that I have just outlined, there is a significant social benefit for the communities to maintain the aircraft. How important for the stimulation of the economies of towns such as Deniliquin and Cootamundra is having an air service available—in terms of attracting businesses into the towns or allowing existing businesses to be maintained? How significant is that?

Mrs Cummins—I think it is very significant, if you are trying to attract a new business—or even to keep an existing business that is trying to grow. Obviously we are all using the Internet out here, we are all doing ecommerce, but there are points where you just need to be able to get

in a plane and go to a major metropolitan area to do whatever business you need to do. We think that where there is no air service there is a disincentive for people to either locate or grow.

Particularly in the area of growth, I think it is a problem, because then people start to weigh up—when they start to grow an existing business—‘Is this the easiest place where I can be to do business, or is there somewhere else that I can be?’ The reality is that rural communities all compete with each other to get new businesses, so we do see it as a disincentive.

There are a lot of really dynamic things happening in this region with regard to business, and a lot of those are happening in places that have airports with no regular air services. Those communities are really seeing that they need to be able to support the growth of business in their areas by having air services. There is Visy at Tumut and Pace and Barrick Gold at West Wyalong. Temora has got the Aviation Museum—we were talking about this yesterday—and the Ingham stud at Cootamundra is growing. They are all flying in people from metropolitan areas on a regular basis. Some of these people are just flying in their own planes, but really an airport with a regular air service would be the ideal answer, and that is why councils are keeping them open. They are not only catering to those large companies that are doing business out here and can afford to fly their own planes, they also have a longer term view that by having an airport they are making it more attractive for businesses to come here, because if you have an airport then there is always a chance that you will end up with an air service—no airport; definitely no air service.

Mr ANDREN—I want to explore the hub spoke concept a bit later, but given the realities of the marketplace at the moment and, indeed, the lack of critical mass on a constant basis from some of the smaller communities—even though they still have airports that are being maintained by councils and ratepayers—is there any virtue, if we are talking about government assistance, in REROC, as an organisation of councils, concentrating on attracting and directing resources to Cootamundra, West Wyalong and one of the airports in the south-west area, such as Holbrook—I do not know the geography that well? Given the security issues that we are facing in terms of people who are transiting on and so on, is there any virtue in concentrating our resources on what you might call the submajor airports in regional areas?

Mrs Briggs—With a smaller air service, you mean?

Mr ANDREN—I am talking about the fact that people may be required to drive up to an hour and a half to get to Cootamundra or Tumut or whatever your selected one is. Rather than scattering resources over so many airports, the reality of it—and I am playing the devil’s advocate here—is that as councils and governments we may not be able to afford to maintain that infrastructure, based on the numbers and the cost of replacing planes and all of the things that are confronting airline operators. Do we pick winners within our geography and say, ‘As an organisation of councils, let’s concentrate on Cootamundra’—or wherever—‘and upgrade security, upgrade the tarmac, upgrade passenger facilities and promote that as our mini regional airport’?

Mrs Cummins—We have already got a similar type of situation whereby people can drive for two hours or more to access the Wagga airport. This is seen as a disincentive in a lot of ways. It is inconvenient and it is time wasting for business. For example, with the mining operation that is about to commence at West Wyalong, it takes an hour to fly from Sydney to Wagga, and it

then takes a bit over two hours to drive to West Wyalong. In the business world, time is money, so that is an inconvenience. This is part of the problem that smaller communities that do have airports that they are maintaining are finding.

Mr ANDREN—I am suggesting, though, that perhaps there may be, say, a Temora to Cootamundra service or a West Wyalong to Temora service. We are talking about an hour or an hour and a quarter, which these days is regarded as a not unreasonable travel expectation to get to an airport, even in metropolitan areas.

Mrs Briggs—It is a model that is worth exploring. It is not one that we have actually really explored. I know that each of the communities are talking to people like Rex—Regional Express—and I know that Rex has been trying to explore some opportunities, looking at the hub and spoke idea with these smaller communities. But we have not looked at the concept of having a subregional airport and saying, for instance, ‘Everybody from West Wyalong and Temora, go to Cootamundra; there is just one airport servicing those two areas,’ or, ‘Everybody from Cootamundra and West Wyalong go to Temora,’ which is sort of in the middle. We have not explored that.

We have a suggestion in here, though, that the Commonwealth provide some specific funding to allow people or carriers to do feasibility studies and business cases—to do the appropriate research to look at those kinds of options and at what is going to be viable. We all know that running an airline is an incredibly expensive business and that doing it in a thin market is an incredibly risky business. We believe that some financial support for good quality feasibility studies for small operators is necessary. Sometimes these small operators that set up are successful. Don Kendell is a classic example: he was a guy who loved to fly, and he turned that into a multimillion dollar business.

There may be another Don Kendell out there who would be willing to fly out of West Wyalong or Cootamundra but, in the current climate, that person would need to have their numbers stacked up really well. We believe that there is probably an opportunity for some support funding—not necessarily the entire funding—for those kinds of entrepreneurs, to assist them to build business cases and do feasibility studies to see whether the market will stack up. The option that you are talking about would be a classic case for doing a study of that kind—to say, ‘Let’s stop trying to do something in three places; let’s see if we can do it in one place and make it stack up and, perhaps, in looking at it as a feasibility and business case, he can look at it as an integrated transport option.’ For instance, if we want to get people to point B from points C and A and they do not want to drive, maybe we need to put commuter buses in. If, for example, you wanted to catch the seven o’clock plane out, the bus would leave your town at 6:15 and be back there at whatever time. So perhaps we could look at having some more integrated transport options along with that.

Mr SCHULTZ—I would like to make a comment on that. What used to operate out of Cootamundra was what was commonly referred to as a milk run. They used to fly from Cootamundra to Young, Young to Cowra, Cowra to West Wyalong and then on to Sydney. The negative part of that particular proposal was the time frame—of the aircraft from the time it left Cootamundra to get to Sydney. I know that is in direct contrast to what you are saying, but it was a very debilitating exercise for the users of the aircraft as well as the operators. It was a costly exercise. The fares had to be proportioned appropriate to the cost and that turned people away,

and that was why the airline lost the numbers, in my view. I used to use the airline, and it was frustrating, from my point of view, to be getting up at six o'clock in the morning to get to Sydney at eight or nine o'clock in the morning. Of course, that was compounded by the air traffic problems at Sydney airport, where we used to fly in a holding pattern for up to half an hour. I just make those comments for what they are worth.

Mrs Briggs—I agree with you. I think the hopping thing, which a lot of small airlines do in order to get more people on board, actually acts as a disincentive to getting more people on board, because people do not necessarily like to go up and down and up and down. Plus the big cost of running a plane is getting the thing off the ground and back on the ground. So obviously doing the hops is adding to the cost of running the airline, but it is putting more people in the seats.

Mr ANDREN—Instead of subsidising the airports to the degree you are, do you think you as councils would be better off subsidising the transport option from A, B and C to D? I suppose the airports might then run down to the point of not being usable, but wouldn't the A, B and C to D transport option be better than this milk run concept? If that was expensive 10 or 20 years ago, I would suggest that it is almost impossible today.

Mrs Briggs—Again, I think it is something that is worth looking at. One of the things I would have to say in this whole question is that we have tended to think within the box about regional air services. It has been either that you have a direct thing—you do a milk run—or you do not have anything at all. I think that there are opportunities for us, perhaps as an outcome of this process, to suggest models that might better meet the challenges of running air services in rural and regional locations today.

But those kinds of models need the backing of some kind of economic modelling or financial analysis. It is fine for us all to suggest that we could do this or that: maybe we could, but until we sit down and actually do the numbers—model things in certain areas to see whether they work or not—all our suggestions are maybes. I think the value is in being able to put out to communities suggestions that are backed up with some validation—to say, 'Why don't you think about this model? We have looked at it in this light and we believe it can be validated in this way,' to allow communities to stretch and think about other options.

Also, as we have said in the report, this is about looking at more integrated transport options. We should not just look at airlines as the sole option. Rail is another; AusLink is offering some opportunities and is looking at integrated transport. It has stopped looking at road and rail and is looking at land transport—and, I suppose, sea transport. But maybe we need to take it one step further and start looking at passenger transport as a holistic thing. It is not just a choice of rail or road or whatever, with air being the problem of the commercial provider. Maybe it is road, rail and air and maybe it is a problem for everybody and we need to work out what the best mix is in order to service the communities that need to be serviced.

Ms LEY—Thank you to REROC for its submission which is very detailed and interesting reading. I guess with regional airlines it comes down to a couple of things, and those are bums on seats and price. When we hear about the reasons to have regional airlines, many of the reasons that you have picked up on are to do with industry—for example, something starting at West Wyalong—and we have the issue of businesspeople and commercial people not worrying

too much about the price, because the company pays for it, but the residents of a town finding that price prohibitive, In evidence we have taken all around the traps, that is one of the things that we have heard has happened with several airlines. I do not want you to come up with a price that you think the people in your area would be prepared to pay, but as Mr Schultz said earlier people are now prepared to hop in their car and drive: what ideas do you have about how we can balance those two things—the business traveller who is prepared to pay any price and the very cost conscious regional person that does not have a lot of money to spend?

Mrs Cummins—That is a difficult one.

Mrs Briggs—I do not necessarily agree that business travellers are prepared to pay any price. I used to run the chamber of commerce in Wagga Wagga, and when the big airline strike was on in the early nineties I had a number of businesspeople say to me, 'I don't think I'll keep flying to Sydney; I am starting to get used to driving. I may as well drive, and I can bring stuff back with me for the price it costs me to fly.' I think it is not an elastic thing really. It is fairly inelastic—and it is more inelastic, obviously, for the residential/holiday style consumer. To a degree we bat against the culture that says that only people with money fly.

Ms LEY—Well only people with money can afford the real costs of flying, unless flying is subsidised—possibly quite heavily—in some way.

Mrs Briggs—I do not know what people are prepared to pay. That is a very good question, and I have no idea what people are prepared to pay to get onto planes. Certainly I believe the service that we have out of Wagga with Qantas and Rex is very competitive at the moment. I have been flying in and out of Wagga, as Lola would have been, for years, and I think the prices are quite competitive now, and I probably do not see them dropping much lower than they are at their most competitive level now. I guess only Rex or Qantas could tell us what the mix of business and non-business consumers is.

Ms LEY—Included in business, of course, is government, because in Wagga—and Albury where I am based—huge numbers of government employees use the regular airlines. In fact, Brindabella, who I think the committee will be hearing from later, is re-establishing a route between Albury and Canberra that has been tried and has failed several times. I sometimes think that if you cannot make an Albury-Canberra route successful it is a challenge to make other more regional routes successful—which does not mean that we should not try because I quite agree that we should and we should be looking for answers. But I see it as those different types of travellers, and one may feel that the subsidy should almost entitle them to maybe a large proportion of the fare and the other has somebody else paying for the ticket.

Mrs Briggs—The other thing is that we do have a lot of people in this region who end up going up to Sydney for medical problems, and you would think that they would by rights be classic air travellers, because they are people who are not well and should not be sitting on trains or in cars for considerable periods of time. It would appear that air travel is inaccessible to them, and what do you do? Do you somehow subsidise people on, with a government subsidy—and is that a viable alternative? Certainly we can see that the state government subsidises public transport in Sydney, to a fairly major degree, and we would ask questions about why it is okay for people to travel all over Sydney for \$2.50 on a bus when we do not have the same opportunities here. Virtually none of our communities—with the exception of Wagga—have

public transport to speak of in a local context. So many of our communities would probably argue that subsidisation is the fairest way to go, because our metropolitan cousins are subsidised to the hilt. Where it begins and ends is another question.

Ms LEY—To what extent do you think people in your area are prepared to fly on so-called ‘little’ planes? I think we all know people who say, ‘Unless it has an air hostess and you can stand up when you get inside, I’m not travelling on it.’ That is quite a common thing. Do you think that is a factor?

Mrs Cummins—I think to some extent it has to be. I know people who do not feel comfortable in smaller planes. However, if the opportunity were there and if it were something that was affordable, I think that could be overcome.

Mrs Briggs—Fear and price are inter-related I suspect.

Mrs Cummins—I guess so. If it does not have at least four engines and you can see things going around, people sometimes get a bit concerned. In the same way, I know some people who will never sit in the back of a bus in case something runs into the back of it, so I guess it is in the same sort of category. The problem is the affordability, and one of the issues that is often mentioned is that a return flight between, say, Melbourne and Sydney or Sydney and Brisbane or what have you only costs \$200, but it is a lot more expensive from a regional centre into Sydney. This is one of the problems that the airline operators are facing with the landing charges at Sydney airport where, if you have 350 people, that cost of that plane landing can be spread over those 350 people on a much wider base than that cost applied to an aircraft which is carrying 30. I understand that the landing charges and other fees are per aircraft, irrespective of size or number of passengers. This is one of the things that is hiking up the cost of air travel from regional areas.

Mr ANDREN—That brings us back to creating a critical mass of passenger numbers to bring down the cost at either end, and so the debate comes back to how we consolidate our passenger loads. Do we do it by a hub and spoke method and, if so, by which means do we hub and spoke—on the ground or in the air? I am interested in whether the industry and regional organisations of councils would have a better chance of attracting state support if they were multipartisan enough to recognise that a consolidated passenger load in a Cootamundra or a West Wyalong would be a better option. I am going back to where I was before; it does come back to critical mass and payload, doesn’t it?

Mrs Cummins—One of the difficulties we have with that —and I can see exactly where you are coming from—is that there is no public transport between these regional towns. There is nothing between Junee and Temora and nothing between Junee and Cootamundra—except between Junee and Cootamundra there is an XPT, but you have to spend a whole day, or a day and a night, in Cootamundra to be able to get back to Junee, because of the times that they go. So there is a lack of public transport and a lack of transport links, and that is a real problem to bring about the solution you are suggesting.

Mr SCHULTZ—Picking up the suggestion that Mr Andren made there, it appears to me that the problem is further compounded by the fact that the taxes and the charges that airline operators have to pay to upgrade their fleets with aircraft that are more suitable to attracting

people to travel also present a very significant downside to regional air operators coming back to use the airfields in places like Temora, West Wyalong and Cootamundra. You may not want to comment on that, but to me that is a contributing factor in the problems that we have in rural New South Wales and regional and rural areas. Perhaps that question will be asked later, with some of the people that are going to give evidence. But it would appear that government needs to seriously address that particular equation as well.

Mrs Briggs—It is very costly to run an air service for rural communities. You are running a small plane, but it is still very expensive to keep it maintained to a level that is appropriate. I think there is a question for the government about what it can do—

ACTING CHAIR—You have to get payable seats too, and make sure the seats are all full.

Mrs Briggs—Yes. If you were to charge what you probably needed to charge to really recoup everything, you would not have anybody sitting on the plane. So I think that is a question that the government needs to ask itself. Given the tyranny of distance in rural and regional communities, we think nothing of being five hours from Sydney. For anybody in Europe, to be five hours from anywhere is just forever—you have stepped across three countries. We tend to take the distance factor in our stride here, but the reality is that it is a disincentive to people living, working and expanding their businesses out here.

ACTING CHAIR—I would just like to raise some matters that you put forward in your submission. There was the matter of ring fencing the regional slots in Sydney airport, the fact of keeping it open for two consecutive seasons if the regional air operator went into liquidation and the costing at Sydney (Kingsford Smith) Airport for regional airlines, which you mentioned in passing. Could you give us a brief comment on those matters?

Mrs Briggs—We would support the continued ring fencing of regional slots at Kingsford Smith, which is the government's stance at the moment. Our understanding, though, is that where a slot is not in use it can be given to another provider and that, if that provider uses the slot for two consecutive seasons, they have historic precedence to the slot again. We would be very concerned that the use of historic precedence would mean that those regional slots would be removed.

ACTING CHAIR—Have you made a formal submission to Kingsford Smith's new owners on that?

Mrs Briggs—Yes.

ACTING CHAIR—What sort of response have you had from them?

Mrs Briggs—On the slots submission—nothing, I think. I think that was put in this time last year.

ACTING CHAIR—Have you got any evidence for the committee about your formal response on the slots and their response back to you?

Mrs Briggs—I can give you a copy of our response on slots.

ACTING CHAIR—I think it would be helpful just to get on the record what the position was.

Mrs Briggs—We will provide you with a copy of our written submission on slots.

ACTING CHAIR—What are you saying about the ring fencing of regional slots? Do you support that policy position?

Mrs Briggs—Yes, we support the policy position of ring fencing in regional slots.

ACTING CHAIR—But, in the hypothetical case of all the regional airlines going broke—and there are a few interesting examples of that—what would happen to the slots?

Mrs Briggs—Our understanding of what happens to the slots when they are not in use is that they are available for somebody else to use.

ACTING CHAIR—What happens when a new regional airline wants to start up again?

Mrs Briggs—They should still be there in the slot. But, if the provider that has used the slot has used it for two consecutive seasons, they have historic precedence to the slot.

ACTING CHAIR—It seems a fairly significant matter. I know that for international aircraft the slotting is very critical at both arrivals and departures overseas, so this seems a fairly critical issue in maintaining the air service in New South Wales.

Mrs Briggs—Yes.

ACTING CHAIR—Could you help us a bit on the costing arrangements at Kingsford Smith airport? You mentioned it earlier, but could you tell us where you see it to be a major impediment to rural services?

Mrs Briggs—Councillor Cummins mentioned the landing fees. But in addition now that Kingsford Smith is privatised there are fees that could probably only be described as the kinds of fees perhaps that you would run across if you were running a shop in a mall—fees to use the security, fees for cleaning et cetera. Now that it is privatised, there is an opportunity for the owners of Kingsford Smith to charge for a plethora of things—not just landing but the use by an airline of all the infrastructure services within Kingsford Smith.

ACTING CHAIR—Does your group have factual evidence of this?

Mrs Briggs—I can get it.

ACTING CHAIR—It might be helpful to get it on the record: you are saying that it is not actually the landing charges; it is the associated costs—

Mrs Briggs—There are quite a number of associated fees—

ACTING CHAIR—that are an impediment to the regional airlines?

Mrs Briggs—They impact on the viability of running regional airlines.

ACTING CHAIR—It would be helpful, I think, if you gave us some information on that.

Mr SCHULTZ—On the issue of CASA, the Commonwealth Aviation Safety Authority, what problems do they create—if you are aware that they do—for rural and regional airline operators and/or council operated airports?

Mrs Briggs—Before we came, we asked all the councils about CASA regulations and whether they had any issues with them, and none of them had any issues with CASA.

Mr SCHULTZ—Can I suggest to you, although I am not in a position to make any suggestions that would be outside the guidelines, that there are some people at Cootamundra—for example, in the airframe structure business and in sheet metal businesses, I understand from some conversations in Cootamundra last night—who are finding it difficult to remain in business because of pressure from CASA. It might pay you as an organisation of councils to go and talk to those people, and perhaps they could make a contribution that would make our committee's work a bit easier.

Mrs Briggs—It depends on whether they have actually spoken to their council about the difficulties that they are having. We asked the councils about CASA's impact in relation to running airports and those kinds of services, rather than in relation to anything else.

Mr SCHULTZ—The point that I am making there is that there are subsidiary companies associated with the aircraft industry that, if they keep operating, could make it more viable for councils to maintain the airports.

Mrs Cummins—One of the things that I would like to mention—and I guess it probably summarises what we have said to some extent—is that where an airline business starts up and air services start in a rural community and are then withdrawn, it really is devastating for that community and the surrounding communities as well.

ACTING CHAIR—Yes, that is the reason for the inquiry. We are trying to ascertain the way in which government may be able to help that situation. Thank you very much for your evidence and for your substantial submission. Could we get back to you on some of those issues we raised—would that be in order?

Mrs Briggs—Yes, and I will provide you with a copy of the slot submission and the other evidence.

ACTING CHAIR—If you want to add to that slot submission, we would be happy to receive that. Thank you very much for your appearance here this morning and thank you again for your submission.

[9.20 a.m.]

ASHFORD, Mr Leigh, Albury Services Commercial Businesses Manager, City of Albury

BLAMPIED, Mr Dale Anthony, Manager Albury Services, City of Albury

FERRIS, Mr Bradley Lewis, Albury Services, Civil Services Team Leader, City of Albury

ACTING CHAIR—Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Do you wish to make a brief statement in relation to your submission or would you care to make some introductory remarks?

Mr Blampied—I would like to make some introductory remarks, if I may, regarding the submission.

ACTING CHAIR—Yes.

Mr Blampied—Albury City is the owner operator of Albury Airport. Our submission focuses on the importance of regional aviation for the social and economic development of regional centres such as Albury and for the larger regional area—in our case Albury-Wodonga. In particular, it relates to the continuing provision of a safe economic and efficient same day return service between Albury and the major capital centres of Sydney, Melbourne and Canberra, with seamless connections to other destinations.

The main points that we raise within our submission can be summarised as follows. Albury is a major regional centre. It is located on a major transport corridor between Sydney and Melbourne. It is an important road, rail and aviation regional hub. Albury will carry about 130,000 passengers in this financial year and probably about 140,000 in the next. Hopefully, that will increase. We have had some reduction since the events of September 11. Small-scale owner operators should be encouraged to hub at airports such as Albury and to provide a service for those wishing to proceed further, making the most of efficient primary airports—in particular that relates to slot arrangements. Albury Airport currently operates under positive air traffic control and has the capacity to handle jet aircraft on a routine basis. We view the provision of air traffic services as a valuable safety initiative and strongly support the retention of these services.

The cost of doing business is critical to economic development in the regions, and it is considered imperative that slot availability that enables same day access and returns is maintained. In the longer term, this could be assisted by consolidating movements into Sydney and Melbourne, using larger aircraft emanating from regional hubs such as Albury. Strategic planning should be commenced along these lines now. Seamless on carriage travel capability from regional to domestic international flights is considered important in providing cost-effective and timely travel capability for regional travellers.

To our knowledge there are no development funds available for regional development in aviation infrastructure, unlike other transport areas such as road and rail, and we believe that funding should be available for those projects that clearly demonstrate social and economic benefits, supporting the industry as a whole.

In the area of charges, a number of issues have been raised regarding the level of passenger charges imposed by regional airports. Regional airports are businesses like any other airports, and they need to be commercially viable and to operate at a break-even or better position. We believe it is unreasonable to expect that ratepayers should cross-subsidise airport airline operations. Other transport industries are subject to fees and charges to cover the costs of the infrastructure that they use. In particular, the trucking industry is charged via registration insurance and taxes applied to fuel consumption.

Finally, passenger security has also become a major issue since the events of September 11, the Bali bombing and the war in Iraq. Albury City has increased its local security arrangements and recognises that the federal government may require the installation of additional passenger security systems at regional airports, over and above those normally required. Albury City believes that, should the federal government require additional security at regional airports, all costs associated with the installation of any system of any security systems should be federally funded. This is on the basis that all airline users and the wider community would be impacted by any increase in security levels—not just those who utilise regional airports. Any additional cost to regional air traffic would place an unfair burden on regional communities and negatively impact on regional development.

ACTING CHAIR—Thank you. I will open the proceedings by raising an issue that was raised with the previous witnesses: the matter of slots in Sydney and the charges in Sydney. Could you give us your views on those matters.

Mr Blampied—We certainly believe that same day travel is vital. That means that peak slots need to be available to regional travellers. But we also understand the importance to a private operation such as Sydney airport of being cost-effective. They have a right to be able to make a profit. We see that in the longer term the slots are going to become a scarcer and more valuable resource. The hubbing issue would potentially overcome that by having smaller aircraft from regional centres coming into one of three or four major regional operators such as Coffs Harbour, Wagga or Albury.

ACTING CHAIR—Would that be your recommendation? Just as a matter of interest, are you saying that those three airports could act as hubs?

Mr Blampied—From a City of Albury perspective, we believe that Albury is on a major transport corridor, so we believe that it should be one. We understand that Coffs Harbour, up in the northern part of the state, is potentially a logical choice, and there might be one or two others that would fit into that category. Certainly, in order to preserve the availability of peak slot times—whether into Melbourne or Sydney—we believe that, because of the economies of scale, hubbing may become necessary.

ACTING CHAIR—Have you made any formal submission to Sydney airport?

Mr Blampied—No, we have not at this point in time.

ACTING CHAIR—Do you think that some of your operators may lose their slots?

Mr Blampied—At the moment there is no evidence of that. I think that is mainly because of the downturn in aviation usage, but we believe that it is going to become more and more critical as aviation travel picks up.

ACTING CHAIR—What do your airlines do at Melbourne—do they go to Essendon or Tullamarine?

Mr Blampied—They go to Tullamarine.

ACTING CHAIR—They all go to Tullamarine?

Mr Blampied—The RPT traffic does, but the general aviation goes to Essendon or Moorabbin. The general aviation is generally business traffic that might take three or four people down—they will hire a charter for the day and go to some of those other airports.

ACTING CHAIR—Do you have a view on Essendon and Moorabbin?

Mr Blampied—I think they are very handy. I have done a lot of travel to Melbourne myself, in smaller planes with a number of staff, and I believe that access into Essendon can be very timely. You have got more flexibility in the time you can travel and you have ease of access into the city.

ACTING CHAIR—Would the availability of Essendon assist the regional airline operations in Albury?

Mr Blampied—My personal opinion is yes. I believe it would, particularly from the general aviation perspective. Certainly, for the RPT traffic it is very desirable to maintain that and maintain access into Tullamarine.

ACTING CHAIR—How would you compare that with Sydney?

Mr Blampied—I think that in Sydney there is probably less general aviation. There is probably more RPT traffic emanating out of Albury. I think the slots availability and the location of Sydney airport in relation to the centre of the city are critical from a business perspective.

ACTING CHAIR—Have you got a view on the charges that Sydney airport are now levying, in view of their privatisation program?

Mr Blampied—We have had a look at the submission in which the charges were indicated, and I believe that they are reasonable from our perspective. But, being an airport operator as opposed to a user in an airline sense, we have not drawn any firmer conclusions than that.

ACTING CHAIR—The previous witnesses made the observation that it was not so much the airport charges that were a problem as security and some of the associated services that were now in the net of costs to an airline. Would you care to comment on that?

Mr Blampied—I think, having read the Sydney submission, that their passenger charges are approximately \$15 per head. They allocate funds out of that towards security and a number of other infrastructure type issues that they have to maintain within their airport. Our passenger charges are currently \$10 a head, but the reality is that we need to allocate the revenue collected to cover infrastructure and a range of airport maintenance issues as well.

Mr SCHULTZ—I would like to ask a question. You are advocating a spoke and hub type situation into major airports like Albury. What sort of research have you done with regards to the areas that would service that sort of proposal? And, given the fact that a lot of these areas would be serviced by operators with smaller aircraft, say nine-seaters, and they would have to fly a minimum of 100 kilometres, what sorts of charges would you be charging those operators to land at Albury to service your regional hub?

Mr Blampied—I would like to say, ‘As much as possible.’ We have not done any research into the charges but it certainly would be of benefit to Albury to become a hub area. We would be looking at regional areas—Deniliquin, people along the Murray that could fly, within an hour or an hour and a half, into Albury Airport. In terms of charges, our view would be that it has to be a win-win situation: if they are too high, we will cut the ground out from under our feet from a regional development perspective as well, so we would have to look at that and look at whatever would be viable both for us, the airport operators, and the users of the airport. I have not got a firm view on what that charge would be. Currently people who utilise GA charter planes pay the same passenger charge as do operators of commercial RPT traffic.

Mr SCHULTZ—On the issue of charges, is the nonpayment of landing fees by airline operators an issue with Albury city council? If it is—and if it is a problem—how do you recover those unpaid landing fees from those airlines?

Mr Blampied—To date it has not been a problem. We have good relationships with both Rex and Qantas, and we have had no difficulty in recovering passenger charges on a monthly basis.

Mr SCHULTZ—Are CASA regulations an issue for council?

Mr Ashford—In my view there are some issues with CASA. Having been in the airline—or the airport—industry for 12 to 18 months, I find them very regulatory, and their requirements are very prescriptive. They do not seem to take a risk management point of view, which is certainly the way to go these days, and some of their prescriptive requirements seem to date back 50 years or so, and perhaps those are not appropriate these days.

Mr SCHULTZ—Given the comments you have just made, how do CASA regulations add to the cost of maintaining the airport?

Mr Ashford—Certainly some of the CASA requirements are, in my view, over the top in relation to Albury Airport. While services we have provided over the years have been satisfactory for the operators and the pilots, they do not conform to CASA standards, and CASA

would require them to be upgraded to a certain standard that is above what we have. That is certainly going to have a cost impact on the city.

Mr ANDREN—Could you give the committee a bit of an idea of the communities that would feed in to Albury and what their existing airport infrastructure is?

Mr Blampied—They would probably be communities anywhere within 100 kilometres of Albury—such as the townships of Mount Beauty, Tawonga, Corryong and Khancoban—and potentially communities as far down as Wangaratta. If you went much further than that, you would probably drive to Melbourne to catch planes. In fact that could still happen from Albury.

ACTING CHAIR—They are Victorians though.

Mr Blampied—So am I.

Mr SCHULTZ—We all have our problems!

Mr Blampied—You could also go out towards Corowa and those places towards the west. The communities would probably be within a 100-kilometre radius, I would imagine. In talking about the airports, a place like Mount Beauty has a small regional airport, which is unstaffed. It is probably run by local volunteers, who would mow the lawns et cetera. If you were out in some of those areas, you would charter in general aviation to pick you up and then take you back to a place like Albury—or in fact down to Essendon or Melbourne.

Mr ANDREN—I asked the previous people the same sort of question as this one: given the cost of operating smaller airlines into Albury, do you think it is feasible any longer to support a model that would provide for or expect regular air transport from these smaller centres into Albury? How many at the moment are delivering passengers to create the critical mass in Albury?

Mr Blampied—Probably not a lot. I think that most people would drive to a Wagga or would drive to an Albury because travelling time of an hour or an hour and a half, in my view, is not a lot. If I were living in Melbourne in Mount Waverley or somewhere, I would have to travel an hour and a half to get to Tullamarine. I think people see that as acceptable and the cost of driving is probably a lot less than the cost of chartering an aircraft for \$1,000.

Mr ANDREN—The councils are maintaining those infrastructures though, like your local airstrips, at some significant cost to them. Do you have a regional organisation of councils of which Albury is the hub?

Mr Blampied—No. As far as we are aware, there is a regional organisation of councils in the area, but Albury is not an active player in it.

Mr ANDREN—If Albury were the mother hub, would you see any interest in the contributing passenger load that communities and their councils would contribute to security infrastructure in order to deliver a critical mass, a cheaper load and more political clout with regards to their air service?

Mr Ashford—I think that you are on the right track. There has to be some rationalisation of small airports and regional organisations of councils have to seriously look at, as you suggested, a small number of ports as opposed to everyone having an airstrip. In a lot of cases—say, a site like Albury or even a smaller airport—they would be better off having land transport to that particular area.

Mr ANDREN—Subsidised perhaps?

Mr Ashford—It could be subsidised as part of the aviation industry—that those links are put in place—so that that generates a better chance for a critical mass at those other airports.

Mr SCHULTZ—Subsidised by three levels of government or one?

Mr Ashford—I think that that is a leading question. I would suggest subsidised by at least two but not local government.

ACTING CHAIR—You mentioned Mount Beauty airstrip, could you give the committee a comment on the recent bushfires? What were the utilisations of some of those smaller airports from your point of view?

Mr Blampied—Probably vital to have. I have lived out in some of the small communities for a period of time, particularly out at Mount Beauty. They are vital in terms of a safety aspect. Whether or not you can use them through bushfires depends on conditions at the time. In a lot of cases—

ACTING CHAIR—Were they utilised during the bushfires or not?

Mr Blampied—Yes, I believe so.

ACTING CHAIR—Could you give us a broad comment as to whether they are good or bad or vital?

Mr Blampied—I think that they are vital but I do not think that they have to be major. I think that they do perform and provide a service in times of emergency, and others, for local communities.

ACTING CHAIR—Was that the case in the bushfires in north-east Victoria?

Mr Blampied—My opinion would be yes.

Ms LEY—On that line, the airport at Tumut, represented by REROC, our previous group of witnesses, absolutely came into its own at the last bushfires. The north-east Victorian fires spread into New South Wales and, had that not been a serviceable airport, we would have been in deep trouble.

ACTING CHAIR—Do you have a couple of other airports that you would like to get on the record that provided that service?

Mr Ashford—There was a number of different airports used and it actually depended on where the wind was coming from.

ACTING CHAIR—Could you tell us which ones?

Mr Ashford—Wangaratta and Omeo are the two that I am aware of. It really depended on the weather conditions—

ACTING CHAIR—If the weather was favourable, what were they being used for?

Mr Ashford—If the weather was favourable, they were used for stationing aircraft and helicopters for water bombing basically, and there were some fairly large aircraft used in those operations.

ACTING CHAIR—Do you have a comment from Albury Airport's point of view and from the point of view of those smaller ones on the fire?

Mr Blampied—Only the fact that we were a hundred kilometres away from the fire front in that case and it is probably important to have landing facilities close to those towns—say, Dinner Plain, Tumut—

ACTING CHAIR—But you have no first-hand comment?

Mr Blampied—No.

Ms LEY—I want to explore the idea of the regional hub and how far out you would go. For example, would you have aircraft hubbing into Albury from, say, East Gippsland? You mentioned Deniliquin in your opening remarks. What sort of area would you consider?

Mr Ferris—It would depend on the availability of slots or the competition for slots in the major ports as to how far the hubbing would go and how viable it would be. Certainly a service from, say, Shepparton to Sydney could hub to Albury and Deniliquin et cetera.

Ms LEY—We have heard from smaller councils that the cost of the airport is quite onerous. Obviously, there are larger activities at Albury airport. Do they help the council and the City of Albury better meet the costs of running the airport or is it still a problem? Can you give us some sense of the cost of running a large regional airport?

Mr Blampied—It costs us about \$2½ million a year. Currently, our revenue is in the order of \$1.8 to \$2 million a year, so we are running at a loss. We have set the airport up on a commercial basis where we effectively borrow the money from council and we have to repay it. So there is a return there, but it is running at a loss.

ACTING CHAIR—In the long term what do you see might happen to Albury? Will it be subsidised by the ratepayers?

Mr Blampied—No, our view is that we will have to look at other business opportunities within the airport facilities, whether it is general aviation or industrial estate. We will look at

different ways to increase revenue, whether it is from kiosk operations or from car parking, which is currently uncharged, or from minor increases in passenger charges in order to get to a minimum break-even position. We will try to do that over the next 12 months to two years.

ACTING CHAIR—You are fairly hopeful that the airport will break even. You are not looking for a Commonwealth or a state government subsidy?

Mr Blampied—No, I would not be looking for the subsidies in terms of running the airport. I would be looking at some sort of funding if we were forced as a result of increased security requirements to make significant modifications to the airport terminal building et cetera. We have not got the money to be able to do that at the moment, but we believe it is in those circumstances where the wider community benefits that it is appropriate that federal or state funding be made available.

Ms LEY—I guess we have not got to that point yet. Do you feel that there is any unmet demand for services at Albury airport; for example, for general aviation, charter or freight or for some sort of other industrial purpose suited to the airport that no operator at the airport is meeting or is meeting to the right level or do you have a balance of activity and demand?

Mr Ashford—For the other areas it is reasonably balanced at this stage. The general aviation industry has been static or in slight decline for the last 12 or 15 years. The City of Albury does have, for commercial operators, sites available for lease or actual purchase around the area and that has been a deliberate ploy of council to try to generate interest within the area. The council fee to the local GA operators is very small; it is basically a nominal charge per year to operate an aircraft out of Albury.

Ms LEY—Could you briefly comment, in the light of previous services, about the new service that is operating between Albury and Canberra starting next week?

Mr Ashford—I hope it is very successful. The previous services certainly did give a fair bit of benefit to the city and gave access directly into Canberra. It is about a four-hour drive from Albury to Canberra on the Hume Highway whereas it is an hour or so on the aircraft. I certainly did use that service previously. The new service has some links with Qantas and if Qantas support Brindabella Airlines and if it is marketed correctly, I think it will be a success.

ACTING CHAIR—This committee has been looking at some of the smaller airports and some of the very remote operations of the aviation services. It strikes me that Albury is almost a self-contained aviation operation. You are big enough, you are close enough to the metropolitan areas and you have support from your rural hinterland, so that Albury will be a stand-alone operation. Would you care to comment on that?

Mr Blampied—I believe that is correct. Albury has a critical mass to make it a viable long-term airport. It is stand-alone. It has good usage. About 90 per cent of our usage is business usage. There is very little tourist traffic. Business is continuing to grow and develop in Albury at a reasonably high rate, and we believe that it will be a successful ongoing, stand-alone business.

ACTING CHAIR—How do you see the competition from the Hume Highway and rail possibilities?

Mr Blampied—If people want to fly, they will fly. From a business point of view, I could hop in a car and drive down to Melbourne in three hours, but it is not as convenient as flying. Even if I have to get off at Tullamarine and spend an extra two to 2½ hours in total transport time, it is a lot less fatiguing than driving. I think people make decisions to fly for business reasons as opposed to any other reason. I do not see road and rail as major competitors in that sense.

ACTING CHAIR—Is the objective of Albury to have a self-sustaining operation in the next five years, upgraded to meet modern standards and technology?

Mr Blampied—That is correct. We are currently reviewing all our operations out there. We are looking at upgrading taxiways and aprons over the next two to three years to make sure that we provide a service the airlines want to use and that we can continue to provide that service and comply with regulatory requirements.

ACTING CHAIR—What about the length of your runways and quality of the tarmac?

Mr Blampied—We are currently evaluating the tarmac to look at essentially rerating it upwards. We have a program to upgrade our aprons and taxiways over the next two years, and we believe they are going to be adequate in the longer term. We are also upgrading some local security in terms of reducing access between air side and land side.

ACTING CHAIR—Where are you getting the capital to do these works?

Mr Blampied—We are getting it from the way we have set up the airport finances. As with any other business, there is depreciation. That depreciation allows us to have a capital replacement program. We are looking at doing a whole-of-life review of all the assets within the airport and are putting in a plan to make sure that they are maintained over the next 20 to 30 years.

ACTING CHAIR—In view of your experience in Albury, which sounds much more positive and encouraging, what would recommend to this committee?

Mr Blampied—The main recommendation is that we believe that the slot issue is an important one for economic and business development within regional areas.

ACTING CHAIR—The slots at Sydney and Melbourne?

Mr Blampied—At Sydney in particular. To be able to get into Sydney of a morning and out of an evening without the expense of having to stay a night either side can be a significant thing. That would be a prime consideration for a lot of businesses which are trying to develop in regional areas. That is where, if it becomes uneconomic to maintain those slots for small aircraft, the hubbing becomes an issue for us in the longer term. We certainly believe that, if there is an upgrade in security requirements, which has not occurred yet but may in the future, there is cause for those upgrades to be federally funded.

ACTING CHAIR—Have you written to the Commonwealth along those lines?

Mr Blampied—No, we have not at this point.

ACTING CHAIR—Are you getting ready? Do you have yourself ready to write to them?

Mr Blampied—We will do it this afternoon.

ACTING CHAIR—We are only a committee of the Commonwealth.

Ms LEY—Are you happy with security?

Mr Blampied—Currently we are happy with the security arrangements. We have increased our local security arrangements to some extent, in that we have a lot more coverage of people on the ground. We are going to 24-hour coverage in the next couple of months or so.

Ms LEY—What do you mean by coverage?

Mr Blampied—I mean people in the airport and the surrounds. We will probably increase electronic type surveillance. We are looking at the access between air side and land side in terms of baggage collection et cetera. They are not major things, but they are important things when looking at those security issues.

Mr SCHULTZ—Regarding Commonwealth involvement in airfields such as the one at Albury—which has been handed back with a little bit of a nest egg, dare I say it, due to the vision of the then federal government's decision, what sort of role do you think the government should play in assisting regional airlines to stay viable? In other words, what sorts of contributions do you think government should make to the aviation industry in rural and regional Australia so that it can be sustained into the future? What concerns do you have with regard to the outcome of the privatisation of Melbourne, Sydney and Canberra airports? What fears do you think the industry should or would have with regard to the ongoing business direction being taken by the private owners of those airfields to recover the significant funds they have put into them? What sort of a concern is that, and what sort of a concern should we as a committee take to the minister regarding how that is going to affect the future viability of rural and regional aviation in Australia? I say that in the context of being, like all of my colleagues here, a rural member who is acutely aware of this vast population base in rural and regional Australia and the significant landmass that encompasses it. I have some concerns and I want you to give us some feedback. This is your opportunity to give us some issues that we can take to the minister when we make our report.

Mr Blampied—I have been through privatisation in the electricity industry, and I have seen how that process works. The difference I see with the airports is that they are basically monopolistic in nature. There is no competition between two or three power stations or two or three other like businesses. That is a potential concern and hence may require additional regulation. That could be associated with maintaining slot capability, for example. On the other hand, even a monopoly can only put its fees and charges up so much before people stop using those facilities. A balance will probably occur after a time, but it is the impact before that levelling out that is of major concern to me. In some cases, regional travellers have no choice but to use aircraft to do business, for whatever reason, and become captive to the prices that the airlines need to charge in order to pay the airports at the other end. The consumer watchdogs need to keep a very close eye on the levels of profit et cetera that some of the airports are

potentially going to try to make to recover the big dollars that they have put into purchasing or leasing these airports.

Mr SCHULTZ—What about the cost to government? What should government do to try and assist in keeping aviation alive and well in rural Australia?

Mr Ashford—Adding to what Dale mentioned, the federal government certainly has a major role to play in the economic development of regional and rural Australia. Aviation links are certainly one of the major issues for the development of the country. Access to Sydney and Melbourne is a particular issue in our case, but access to any of the major privatised airports at a reasonable cost that can be borne by regional and rural Australia is a major issue. It is not only slots; it is the cost of being able to fly, because the aircraft we are flying in are 30- to 50-seaters as opposed to the 200- to 300-seaters which the airlines would like to fly between Melbourne and Sydney or Sydney and Brisbane. Those issues have to be taken on board. I see a regulatory role for the federal government to ensure that those privatised airports pay back their social responsibility to protect and encourage economic development within rural and regional Australia.

Mr SCHULTZ—Would you elaborate on the role the Commonwealth should play in relation to making CASA more accountable and responsible in their role in what I understand many people in your industry are concerned about: the impact of their decisions on the economic viability of the airports that you control and the operators that use them.

Mr Ashford—CASA certainly have a regulatory role and certainly we are dealing with safety of people, which is their major concern. My view is on the manner in which they go about ensuring safe air travel within Australia. Perhaps there are other ways of doing it than the prescriptive method. I suggested earlier that they need to take a more risk management line with how they regulate the industry and perhaps give some support to where we are going. Being, I suppose, the peak safety organisation in Australia they could give some expertise to assist organisations like Albury City put in the correct measures at Albury Airport. That could also be done with airlines and aviation operators.

Mr Blampied—I think there is a bit of an issue in terms of safety in, as Leigh said, how prescriptive it gets. If I wanted to make everything safe on the Hume Highway, I would put guardrails from Melbourne through to Sydney. And that is a nonsense. Likewise, there are potentially some safety issues where the cost of solving them is just unreasonable, and I think those things need to be looked at.

Mr SCHULTZ—What about consistency in interpretation of regulations on a CASA by CASA employer/employee basis?

Mr Blampied—One of the issues is that if things are so prescriptive then you will get people not wanting to move outside the line and be reasonable on a case by case basis as opposed to an employer by employee basis. People need to be given the ability to say, 'These are guidelines; they are not hard and fast rules,' and they should be used as guidelines the same as WorkCover or any other regulatory or legislative act.

Mr Ashford—CASA do have a process for getting exemptions from their rules, but again that process is fairly, I would suggest, officious. It is quite involved and it takes a lot of effort for something which is quite simple.

Mr SCHULTZ—Thank you for your candid comments on that.

Mr ANDREN—Just briefly, I will read a quote from the Leeton-Narrandera submission:

... councils are strongly opposed to the Leeton / Narrandera service to Sydney being reduced to a regional hub service. Hub services have a proven record of failure and significantly inflate the cost of air services ...

Could you respond to that and tell me perhaps how Albury might differ from some of the other scenarios we have?

Mr Ferris—I suppose it is the economies of scale that we have; the mass of population that use the service into Sydney and Melbourne—the major capital centres. With places like Narrandera et cetera, yes, there is a significant cost for them to hub into, say, Wagga or Albury and therefore we should be looking at some sort of funding for them to be able to achieve or arrange that.

Mr ANDREN—For them to maintain the independence of their own air service rather than going with the hub option? Is that what you are suggesting? How do we pick the winners and the losers in that process? Do you think there needs to be a benchmark on critical mass set, below which the only option is to hub and spoke?

Mr Ferris—I believe that that will happen. There will have to be a critical mass limit, if you like, put on the slots into the major centres somewhere down the track.

Ms LEY—The income that you gain from landing fees: have you noticed a significant drop during the terrible drought that we are experiencing?

Mr Blampied—No.

Mr Ashford—We experienced, I would think, about a 30 per cent drop when Ansett collapsed. The numbers took quite a while to stabilise. We were unsure whether Rex was going to get up and operate and that certainly caused some problems. Once it got going, the numbers started to slowly increase again. We had another significant drop in January this year when we had a month of fires. They caused a considerable drop in numbers at Albury Airport. Numbers have now I suppose stabilised and are starting to increase again. Our peak numbers were about 150,000 two or three years ago and we are looking at 125,000 to 130,000 this year.

Mr Blampied—I would like to add to that. Albury has a diverse economy; it is not necessarily rural centred, as you are well aware. That diverse economy and those business operations tend to buffer it against any downturn in any particular sector. They help to provide a stable operation.

ACTING CHAIR—There has been a lot of discussion before the committee about the age of aircraft, and some of the passenger services and GA aircraft getting to the end of their life.

Would you care to give us just a brief comment on how you see it from the airport's point of view?

Mr Blampied—The only comment I could make is that, in talking to Rex, I understand that Rex are upgrading many of their aircraft over the next period of months or so in order to continue to maintain their aircraft at a suitable standard. We have had no local GA problems from our perspective, from an airport operator's—

Ms LEY—It is more the next level down that the Acting Chair is referring to—the third level, the eight- to 10-seater aircraft that are getting pretty old.

Mr Ashford—We have not really considered those issues. There are some issues with, say, the RPT traffic. Certainly some of the aircraft that are on the Albury route do have breakdowns and some flights are delayed. Of course, one flight that is delayed or cannot take off in, say, Melbourne or Sydney, or even in Albury, actually delays flights for the whole day, due to us being unable to catch up on the flights. The other day we had—

ACTING CHAIR—Regarding the type of aircraft that is being used at Albury Airport, do you have any particular comment on the ageing aircraft, as other witnesses have put to us?

Mr Ashford—No.

ACTING CHAIR—As there are no further questions, I thank you very much for your thoughtful evidence and your submission. If there is anything that we wish to clarify, we will come back to you. Thank you very much for your evidence and for being with us today.

Proceedings suspended from 10.01 a.m. to 10.21 a.m.

[10.21 a.m.]

EDWARDS, Mr Des, Mayor, Narrandera Shire Council

PLUIS, Mr Ray, General Manager, Leeton Shire Council

SCULLY, Mr Kevin Patrick, Economic Development Officer, Narrandera Shire Council

ACTING CHAIR—I welcome representatives from the Narrandera and Leeton councils. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as contempt of the parliament. Do you wish to make a brief statement in relation to your submission, or would you care to make some introductory remarks?

Mayor Edwards—We are a bit unprepared to make an oral submission. We have put in our written submission. We will answer any questions that the panel wishes to ask.

ACTING CHAIR—Sometimes there are some opening remarks that you would like to get on the record.

Mr Pluis—Leeton and Narrandera councils share an airport. We are located between Wagga and Griffith city councils, which also operate airports. We operate on a triangulated route with Griffith on a twice-daily basis on most occasions. Leeton and Narrandera are both very aware of the economic and social impacts of our air service. To that end, between us we contribute between \$60,000 and \$100,000 per annum towards the costs of operating our air service, to recognise the social and economic benefits of having that facility in our shire. Our main concerns are to maintain at least our existing slots into Kingsford Smith Airport. We would be strongly opposed to any proposals to redirect our service to Bankstown, because of the inconvenience that would cause and the loss of linkages we would have to other services. We strongly oppose any suggestion that we should be involved in a hub and spoke service, because of sensitivity to the timeliness of the service and also the costs of services that would involve. Our fear is that our customer base would deteriorate further and we would end up with a less than satisfactory service in the long run.

I would like to make one further comment. There is a significant price differential at the moment between the cost of flying from Wagga to Sydney and the cost of the Narrandera-Griffith-Sydney flight. I think the cost at our end is about 50 per cent higher than it is from Wagga. That indicates that, while we are very price sensitive, there is a willingness amongst the customers in our area to pay a higher cost to retain the level of service that we are enjoying. Thank you.

Mr Scully—I will make my comments in respect of the value of an air service of this style for economic development. That is my main interest. For a lot of areas we look at economic development in terms of business and tourism. There are also the lifestyle aspects of what brings

people to a community and the confidence that they will be able to fly to a major metropolitan area, like Sydney, for reasons of health care, education, and so forth. My brief comments are just to underline the importance of that for an area like the Narrandera and Leeton shires, with a combined population in the order of 20,000. For business, for economic development, for the development of tourism and for those other aspects, it is crucial that we retain that service. I would like to see our flights getting in earlier to Sydney, but, be that as it may, we want what we have now as a minimum and to be able to retain that.

ACTING CHAIR—In your submission you raised the issue of the slotting at Kingsford Smith Airport versus that at Bankstown. Could you add to that point of view? Previous witnesses have raised that with us this morning. It seems to be fairly significant here in New South Wales. Some other witnesses have suggested to us that, if the slots are lost, sometimes they will not be able to be recovered. Could you comment on that?

Mr Plus—I understand that there is some legislation at the moment that does protect the slots for a short period if they are lost—that there is an opportunity there within a specified period—but I am not sure of the details of that. Our concern would be that, if we lost our slot and were redirected to Bankstown Airport, that just would not be convenient for business travellers—which is what most of our travellers are—or for travellers going to Sydney for medical reasons, which is probably the secondary reason for air travel from our area to the city. Access from Bankstown into the city is not good, whereas from Kingsford Smith Airport it is well organised and quite accessible. The time involved in getting from Bankstown into the city is considerable and adds to the time taken for the entire trip. So it is inconvenient as to time, and the facilities are currently not available at Bankstown for convenient access to the city.

ACTING CHAIR—You are raising two issues. One is Kingsford Smith Airport and Bankstown. Have you made any formal submissions to Kingsford Smith's new corporation about retaining the slotting for your people?

Mr Plus—We have not done that, no.

ACTING CHAIR—Do you propose to do that in the future?

Mayor Edwards—I should say it would be necessary to do it, yes.

ACTING CHAIR—What would be your reaction if the slots were removed? It was suggested to us by other witnesses that the slots could be retained for a period of two years and would then be available for other operators. We have been told this morning that that would then make it difficult for your local airline to regain the slot.

Mayor Edwards—It certainly would.

Mr Scully—The view is that, once it is lost, it is lost. I am not sure of all the regulatory requirements; obviously, the government has some regulations governing that, and we would trust that they would continue. We would trust that there would be an expectation that the services out of regional New South Wales or whatever region would be allowed a certain number of slots.

ACTING CHAIR—Are you putting an argument to this committee that you want the slot in Kingsford Smith, not Bankstown?

Mayor Edwards—Yes.

Mr Scully—Certainly.

Mr Pluis—That is a very definite yes to that point. We see the need for continued access to Kingsford Smith Airport in our existing timeslots, although we would have a preference for earlier timeslots into Sydney and later timeslots out. We accept that there is a pattern there whereby a greater number of passengers are getting in earlier, and that we have to put up with the minor inconvenience of getting into Sydney slightly later and getting out slightly earlier. We accept that, but we wish to protect that very vigorously. The concern is that, if it becomes less convenient for people to fly in a timely manner, there will be considerable customer resistance to the use of the service. The numbers will drop off. The providers of the service, on economic grounds, will be quite justified in further reducing the level of service. We will get that downward spiral where we will end up with a far from satisfactory service. That would be extremely detrimental to our social and economic wellbeing.

ACTING CHAIR—Just for the information of the committee, could you give us a feel for the operation of Narrandera Airport? It is run by the council, I presume. Can you give us a bit of a description and tell us how it is going?

Mayor Edwards—It is run jointly by Leeton and Narrandera councils. The area is owned by the Narrandera and Leeton shire councils on a two-thirds to one-third basis. We pay two-thirds of the cost and Leeton pay one-third.

ACTING CHAIR—Are you finding the operation of the airport profitable or is it subsidised heavily by the council? Have you got a view on that?

Mayor Edwards—It is subsidised by both councils. We have not had any resistance to the money that the councils have put in over all the years that I have been in Narrandera. All the people see it as an essential service and are quite prepared to pay for it by way of council funds.

ACTING CHAIR—Can we just get a feel for the flying time to Sydney from Narrandera?

Mayor Edwards—It is about an hour.

ACTING CHAIR—Is that competitive with road transport?

Mayor Edwards—Road transport is about six hours.

ACTING CHAIR—Can you give us the local argument?

Mayor Edwards—With regard to why they are flying and not driving?

ACTING CHAIR—Or vice versa.

Mayor Edwards—A lot of the people who fly are businesspeople. We have a couple of fairly big industries in the area: the rice growers and the feedlot, which bring businesspeople in for the day. Flying is essential because to spend the best part of a day driving is just not feasible for them. As has already been stated, with regard to medical services it is rather an awkward trip if you are not feeling well, taking six hours to get into the city, when you can get on the plane and be there in an hour or a bit longer.

ACTING CHAIR—Do you see any real pressure on the smaller air services being disbanded by some of the operators? Do you think you will maintain an air service to Narrandera?

Mayor Edwards—I think we will, yes. It has been a very good service in the past. It has dropped off for various reasons, as happened with Ansett and the like. It is significantly less at the moment, but there are factors that are causing that. The drought is only one of them, and when things turn around, which they do, we are quite confident that the air service patronage will pick up considerably.

Mr Pluis—Further to that, I think we are very satisfied with the level of service that we are receiving from Rex at the present time, but we want to fight vigorously to maintain that level of service. As to the earlier question about the subsidy from ratepayers, in a base year, base costs for councils, with no significant refurbishment required, would be about \$60,000 for the two councils. In a year when we may have to reseal a runway or something like that, it could be as high as \$100,000. We have put reserve funds away, so we are building that reserve up.

ACTING CHAIR—Could you give us a general comment on the state of play with your airport in terms of capitalisation and the facilities. Is it okay or does it need further capital requirement?

Mayor Edwards—It is quite good, actually. We have two runways; one is tar-sealed and the other is gravel. The gravel strip is probably one of the best gravel strips around. We have maintained the airport in good condition over the years. A significant amount of money has been put in by both councils. It is in good order, and we hope to maintain it like that.

ACTING CHAIR—It will take increasingly heavier traffic?

Mayor Edwards—Yes. Our airstrip was built—it is rather a long one—during wartime for trainer aircraft and is significantly bigger and longer than some other airfields around. They can land Hercules planes there—that is the size of it—and they have done so in the past.

Mr ANDREN—I have a couple of questions. Can you describe the configuration of the Narrandera service? Are there any other take-offs and landings on the way to Sydney or is it direct?

Mayor Edwards—It goes to Griffith. It alternates at times. Sometimes it will land in Narrandera first, then go to Griffith; other times it will go to Griffith, then to Narrandera on the way back. It is only 15 to 20 minutes flying time from Narrandera to Griffith.

Mr ANDREN—It has been put to me that sub-20,000 passenger numbers per annum out of, say, Bathurst, might not be economical. I gather from your submission that your number is about

10,000 at the moment. Have you any feedback from Rex or any other sources on the viability of that number?

Mayor Edwards—We had some recent discussions with Rex, and it would appear that that figure is above break-even. Their view was that they have to break even but there was the potential to increase, which would increase their profitability. They are above the break-even point at this stage.

Mr Pluis—To clarify that: we have about 10,000 per annum out of Narrandera-Leeton. I do not know the figures, but I would imagine there is an additional 20,000 to 25,000 out of Griffith. So, on the triangulated services, there are about 30,000 to 35,000 a year. Rex have indicated to us that on a 60 per cent loading basis that is about break-even. Despite the turndown, they have consistently exceeded that type of loading at this stage. That is one of the bases of the higher charge for our area rather than, for example, the charge out of Wagga at the moment.

Mr ANDREN—I notice that you are opposed to the hub and spoke concept. Is that only in relation to your service? Do you think, in principle, it has got any attractions from a broader perspective in terms of delivering critical mass, maintaining viability and perhaps ensuring that the slots are maintained, because it is a longer term prospect?

Mayor Edwards—From our inquiries, we have learnt that hubbing and spoking is not a way to go. It is a more costly way to operate an airport and it is more time consuming. It is inconvenient to people; for argument's sake, let us say you are leaving Narrandera and you get to Orange or Bathurst and there is fog. It is not the way to go, from what we have been told.

Mr Scully—On that point, I suppose it has an attraction for people who are flying. The 30-plus, our Saab 340B, is a pressurised aircraft and so those sorts of things do not appeal. The hub and spoke would bring in a smaller aircraft; obviously, people would resist that and would, I suppose, take to the road or to other means. It would not be a popular thing. From our position, it would not be timely either. You would go into the larger centres such as Wagga; it would simply be up in the air and down, and the car trip would be just the same. The hub and spoke concept would effectively kill off that sort of a service.

Mr ANDREN—The economic reality is that, with the cost of replacement of aircraft and the security requirements that may be required of regional airports, the only way to rationalise the process might be to create a series of inland hubs. Some areas might just have to bite the bullet and look at other means of delivering passenger loads—it might be Narrandera, for instance—otherwise, maintaining a whole plethora of infrastructure is not going to return air services to some of these communities. Perhaps they may have to look at a regional airport concept and other means of getting people there: owner-operators or some other smaller aircraft.

Mr Scully—You mentioned previously critical mass and need, and we recognise that. But, particularly from my point of view in terms of development, it would mean that there are winners and losers. Increasingly, we would see other areas that are not able to compete with the larger centres. I do not think that is the way we want to go as regions. We want to have as level a playing field as possible and as many opportunities for all the areas to compete. That is at a business level and a whole lot of other levels. There are lifestyle aspects as well.

Mr SCHULTZ—I notice in your submission, under the headings of ‘Small Scale Owner-Operator Services’ and ‘The Deployment of Most Suitable Aircraft Types’, that both the Leeton and Narrandera councils are totally opposed to small-scale owner-operator services. You talk about strong anecdotal evidence that there would be resistance to the use of smaller unpressurised aircraft without disabled access. What is the current cost of a return flight to Sydney on your air service from Narrandera?

Mr Scully—It depends, obviously. I think the cheapest is in the order of \$350-plus. That is an advance purchase one.

Mr SCHULTZ—It is \$350-plus?

Mr Pluis—The cheapest return flight from Leeton-Narrandera is \$365, as I understand it.

Mr SCHULTZ—How does that compare with air charges from other airports within—

Mr Scully—It is 50 per cent more than Wagga.

Mr SCHULTZ—It is 50 per cent more than Wagga?

Mr Scully—Yes; I think \$250 is about the cheapest return price you could get out of Wagga.

Mr SCHULTZ—Now I am getting to the questions about smaller aircraft. As I understand it, part of the problem with the eight- to 10-seaters is the prohibitive cost of the airfare to and from Sydney, for example. And because of that, the other problem is keeping the seats on the aircraft full to make it a viable operation. What is unique about Narrandera—given the cost of a \$350 return from Narrandera to Sydney—that would encourage the public to continue to support that air service and maintain its viability?

Mayor Edwards—Do you mean unique to Narrandera?

Mr SCHULTZ—Is there a geographic isolation type of environment—

Mayor Edwards—Yes, there certainly is. We are six hours drive from Sydney, and I think that if you weigh up the costs and the time—especially for businesspeople and people who may be ill—it is well worth that extra cost, and that is why it is utilised.

Mr SCHULTZ—Do you have any idea of the average proportion of people on seats for the capacity of your aircraft?

Mayor Edwards—No.

Mr Pluis—These are very rough figures. Before September 11 it was up around 90-plus per cent; I think at the current time they are operating at about 70-plus per cent.

Mr SCHULTZ—That is still a very good result, isn't it?

Mr Pluis—Getting back to your question about smaller aircraft and anecdotal comments, some of those anecdotal comments go back to a time when the operator before Hazelton discontinued its service out of Leeton-Narrandera airports. At that time there was a bit of interest from other firms in establishing a service from there, and representatives from a number of airlines came around and spoke to the councils and the community. The councils organised some community meetings, and the strong indication from the community was that they wanted such things as pressurised aircraft. They were prepared to pay more for a pressurised flight. They wanted the disabled to have access to aircraft. They were not interested in small planes. They wanted planes of the size that we are talking about with our current service. There was a clear indication from public meetings that that was the level of service they wanted. That was why the councils supported very strongly the then Hazelton bid for our area.

Mr SCHULTZ—So distance equates to comfort and facilities?

Mr Pluis—And perceived safety or whatever.

Mayor Edwards—If you have ever travelled on a six-seater aircraft in bad weather from Narrandera to Sydney, as I have, you will know why people resist going on them.

Mr SCHULTZ—I have been upside down in one, so I know. Getting back to the air services that are being supplied out of rural and regional Australia and some of the problems associated with them, various groups and individuals have said to us that government should be involved, on a social conscience basis, in supplying some sort of subsidisation for air services out of the smaller rural and regional areas. Given that that comment has been made pretty regularly to the committee, to what extent do you believe that the rest of the community across this country should subsidise facilities in remote and rural Australia? That is my first question.

My second question is: what do you believe should happen with the airports that were handed to councils by a previous government as part of a pretty attractive package? Do you think that the carrot was waved, and that at the time it was greeted very enthusiastically but probably without any sort of forward thinking as to how long it would last? Do you think that, because of the pressures of operating an airport, the time has now come for the government to think very seriously about taking these airports back off the hands of councils as far as the operating costs are concerned?

Mayor Edwards—To answer your second question first, I believe that we have always operated our airport fairly successfully. It was offered to us, and we grabbed it with both hands. We believe that we are doing a good job. We have not given any thought to or pursued the matter of whether we should give it back to the government for them to run. Both communities, Narrandera and Leeton, accept the fact that it costs the ratepayers money and they are quite prepared to continue on that basis. Insofar as support for smaller airports goes, I do not believe that it should be a social conscience issue to support these things. I think they should be looked at in their role as a benefit to the country and country people. We should look at what is essential to keep the country operating at a reasonable level—and in this case we are talking about air services.

If we need assistance from the government to get planes into Sydney and maintain our landing times, that is the role I see for government. I think that, from our end, we can run the airport the

way it has been running in the past and we can do it successfully. But I think the government should keep in mind what country areas are about and the difficulties we face. I do not believe in a handout mentality, and most people in the country do not. We are there and prepared to do our bit. But the government can ensure that obstacles are not put in our way and that those that are there are minimised so that we can continue to do so.

Mr SCHULTZ—What sorts of obstacles are you talking about? Are you talking about obstacles put up by, for example, the aviation safety authority?

Mayor Edwards—Yes. For argument's sake, if they said, 'Okay, you now go into Bankstown Airport,' it would be a great deterrent to people to use the airlines and it would be a great deterrent to industries.

ACTING CHAIR—Why would CASA be saying that? Why would CASA make that decision?

Mayor Edwards—The decision to go into Bankstown?

ACTING CHAIR—Yes.

Mayor Edwards—I was talking about whoever makes the decisions, whether it be CASA or the airport authority. But if they wanted to eliminate our landing time because it was more profitable to let somebody else come in—

ACTING CHAIR—That might be a decision by the Sydney Airports Corporation.

Mayor Edwards—Yes; but I would hope that the government would have some sort of agreement with Sydney airport to protect small users like us.

ACTING CHAIR—You said that you had not made a submission on that originally, didn't you?

Mayor Edwards—No, we have not at this stage, but we will take this back and have a good look at it.

Mr Scully—At the moment the point about the subsidy is that it has been paid in our case by the local ratepayers to keep the airport going, and that is not in any way opposed; there is strong support for that.

ACTING CHAIR—The local community understand it, they know about it and they are happy with it.

Mr Scully—Exactly.

Mr Pluis—When Rex was coming into the area and there was some thought that it may be a marginal type of operation, the councils took a joint decision to waive the landing fees at the time just to help ease them into the position. In Leeton's case it was certainly well received by the community as an encouragement to Rex to come in, try it and see if they could get going.

ACTING CHAIR—How long have you waived the fees for?

Mr Pluis—I think it was an initial period of six months.

Mayor Edwards—Maybe it was three; I am not sure.

ACTING CHAIR—And you doubled them after you got them in, did you?

Mr Pluis—In the two annual variations since, we have not increased it.

Mr SCHULTZ—Whilst I commend the Narrandera and Leeton communities for taking the obviously necessary decision to support the airline to maintain the service there, would you agree that that would not necessarily be the case for other rural and regional communities with a lower population base and that exceptional circumstances would apply because of that low population base, which would then encourage government to look very seriously at perhaps making a contribution to ensure that that service was maintained? Having said that, do you think that government would have to draw the line with regard to the level at which they should maintain the service and then give a subsidy?

Mr Pluis—I would accept that. It has not been discussed by our councils in those terms, but I would certainly accept that as a possible outcome. Each service has to be judged to be self-funding or otherwise on its own merits and abilities. In the case of Leeton and Narrandera, we have recognised that we have certain community service obligations. We have recognised also the significant economic benefits of having an airport operating in our area. For those two reasons, we are quite happy to subsidise the operations of our airport. We would similarly suggest that both the federal and the state government could also recognise those community service obligations and the economic benefits that arise from regional development. We would suggest that both the state and federal governments could also look at marginal cases where a social and economic benefits analysis could prove that there will be social and economic benefits, and that the federal and state governments should be looking at supporting those services. We also recognise that somewhere a line needs to be drawn and that the governments cannot be a tooth fairy for everybody.

Mr SCHULTZ—Finally—and this question is not one that I am pursuing on a regular basis, but I will ask it anyway—are you aware of any vigorous use of the regulations by CASA in your case that would create a situation where it would make it difficult for you to keep under control the cost of maintaining your airport, and/or are you aware of any aviation type businesses situated at your airfield or at the perimeter of your airfield that may have been unduly pressured by CASA using its regulations and thus creating a problem there?

Mr Pluis—I am not aware of any. I presume that it is CASA that sends out the inspectors from time to time to check our airport out and make sure that it meets the safety requirements, and we have had inspections—as I say, I assume that they are by CASA-appointed persons. We have found their requirements to be quite reasonable, as far as the airport operation itself goes. We are not aware of any unreasonable or unfair pressure from CASA on any operators in our area.

Ms LEY—You are happy with what you have now and you want to keep it the way it is. If that is the case, you will continue to be happy? Is that a summary of your submission? You are concerned, obviously, about losing the airline that you have and also your regional slots?

Mayor Edwards—Yes. What we have, we have had for a number of years and it works. We would always like better and, in that respect, we are not different from anybody else. But the levels of service we provide now and what we have are adequate for our area.

Ms LEY—What is the difference between this service and the one that was operated under the Kendell-Hazelton regime?

Mr Pluis—Very little; probably the pricing structure is a bit dearer.

Ms LEY—That is a bit dearer, but the times and the routes are about the same?

Mr Pluis—Very similar.

Ms LEY—Do you have any idea of what proportion of people flying on that route are business/commercial/government as opposed to private? I know that they are records that you would not keep, but do you have any idea broadly?

Mayor Edwards—No. Broadly, I would say that probably 80 per cent are business with regard to local governments and the industries that are in our area.

Mr Pluis—I would say that about 80 per cent would be government and business combined, and the remaining 20 per cent would be private travellers. But they are very rubbery figures.

Ms LEY—The vitality of your air service is closely linked to the regional economy of Narrandera, with obviously SunRice as a principal leader in the area.

Mayor Edwards—Yes.

Mr SCHULTZ—It is a good argument for not removing government infrastructure from regional areas, isn't it?

Mayor Edwards—It certainly is.

Mr Pluis—On that point: I was with a gentleman of Chinese-Australian origin on Saturday night. He is involved with business migration and investment, setting up Chinese-funded industries in Sydney. Now he is looking at rural Australia. One of the comments he made was that Leeton is as marginal as it is partly because of problems with distance but mainly because of problems associated with transport. He said that our level of air service—that is, two flights a day basically—just keeps us within the realms of possibility or feasibility for him to continue to undertake some of his current studies in our area regarding future economic development.

Ms LEY—So it is a critical link. But Rex have told you that they are break-even or better with the arrangements that are now in place?

Mr Plus—That is my understanding.

ACTING CHAIR—You are the first witnesses to really challenge the argument of hubbing. Could you explain to us exactly why you are so strongly against it?

Mayor Edwards—The level of aircraft that you would need to get to the major centres would be smaller aircraft, and there is a buyer resistance to those. Also, while it now takes an hour and a bit to get to Sydney, if you go to Orange or some other area on the way the time would probably double. As we pointed out, 80 per cent of the users of the aircraft are businesspeople, and time means a lot to them. Taking two or three hours to get from Narrandera or Leeton to Sydney is a great deterrent.

ACTING CHAIR—So you are really saying that you want to maintain your current direct service from Narrandera and Leeton to Sydney and not have any interference with that?

Mayor Edwards—That is right.

ACTING CHAIR—Are you against somebody coming to hub into Leeton or Narrandera from further outlying rural areas?

Mayor Edwards—No, not directly. We are plugging for maintaining the level of service we have at the moment.

Mr Plus—For example, if somewhere west, like Hay, does not have a service—although I do not know what services Hay has at the present time—and it is feasible to set up a spoke system to bring them into Griffith, Narrandera or Wagga, we would certainly be supportive of that additional service.

ACTING CHAIR—So you really just want to maintain your current service?

Mr Plus—Absolutely.

ACTING CHAIR—You are not really against somebody else putting up a proposition?

Mr Plus—No. If somebody else can benefit and get a better level of service than they are currently receiving by the introduction of a hub and spoke system in their area, we are not opposed to that. What we are opposed to is any loss of service that we might suffer as a result of a general introduction of hub and spoking throughout the state.

ACTING CHAIR—Could you give us a comment on the age of aircraft? That has been raised by other witnesses.

Mr Plus—I have noticed that there is a bit of ageing. There are a few more rattles, bumps and things now, but it has not been a significant issue in our minds.

ACTING CHAIR—It has been put to us by witnesses in other parts of Australia that some of the smaller commuter aircraft are now ageing and that that has a big impact on the availability of services to some of the regional areas. Do you have a point of view on that?

Mayor Edwards—When you say ‘smaller aircraft’, are you talking about 30-seaters, 40-seaters or something smaller?

ACTING CHAIR—The comments have been about smaller aircraft.

Mayor Edwards—I agree with that regarding the smaller planes—the six- or 10-seaters. They have not been all that profitable for some time, so probably less investment has been put back into those planes. I can understand that. But insofar as the condition of the planes that fly on our route goes, we have not had any concerns.

ACTING CHAIR—Are you telling the committee that the quality and type of aircraft flying to Narrandera and Leeton are okay and that the future viability of those aircraft is good in your assessment?

Mayor Edwards—Yes.

Mr Plus—However, in saying that, we have to recognise that sooner or later these aircraft will all come to the end of their useful life and, as I think Mr Andren pointed out earlier, the cost of replacing the aircraft is significant and must have some kind of economic impact at some time in the future on the companies that are operating the services.

Mr ANDREN—Are you talking about Griffith-Leeton-Narrandera-Sydney? Is that the configuration?

Mr Plus—Yes.

Mr ANDREN—There are 35,000 passengers at the moment?

Mr Plus—Yes.

Mr ANDREN—What was the number at the peak? Was it significantly more?

Mayor Edwards—Our peak was a couple of thousand above the current figures—say, nine. I am not sure of Griffith. I presume they would be on the same scale. They may have lost a bit now.

Mr ANDREN—Say there were a downturn in passenger numbers for whatever reason—price resistance or whatever—and the numbers slipped significantly from 35,000. Though it would probably not go below that 20,000 cut-off point for a Bathurst service that I think Rex told me about, is there a figure that you would agree to at which point government would say, ‘This is uneconomic,’ and you would have to look at other options?

Mayor Edwards—I am not sure whether we would make that decision or Rex would. I think if Rex got to the stage where it was uneconomic, they would soon put the cards on the table.

Mr ANDREN—Are you suggesting that there should be a degree of subsidisation through, say, the extended drought and slowdown in economic activity here and worldwide perhaps in the

next 18 months? To what degree should government be expected to maintain that, and is it state and federal government you are looking at for that guarantee?

Mayor Edwards—For that assistance. Any government of the day should look at all those things as they occur and keep an open mind about them. With the droughts, we are fortunate in some respects that we are an irrigation area—or further west than Narrandera is. There is a big reduction in the supply of water, which has caused considerable difficulties. Life goes on and things are still being produced. I am not sure when it is that you get to the point where the downturn is so great that government assistance is required. But, if the government of the day looked at whether we need it or if the councils of the day could make submissions when that occurred, that would be something that should be considered. I am not sure about creating a cut-off point.

Mr Pluis—There would need to be a study undertaken on each individual route to see whether the cost of a subsidy to keep an air service operating was less than the economic and social benefits that would derive from subsidising an individual service. At this stage we could not say, ‘Yes at 37,000; no at 25,000.’ We just do not have enough information to say that.

Mr SCHULTZ—Can I pay your community a compliment by saying that it is nice to hear, as a federal parliamentarian, that your community has got off its backside to help itself without squealing for handouts from government. That is to your credit and your community’s credit, and that should be acknowledged to all and sundry. It is pleasing from my point of view to hear members ask you what you feel the government should be doing to assist your particular case and hear you say, ‘We’re going along all right. We don’t really need your help. The community is helping itself.’ I want to compliment you on that.

Mayor Edwards—Thank you.

ACTING CHAIR—Do you think the Rex service will continue? Is it your view that it is going okay, is viable and is getting local support? What is the local feeling?

Mr Pluis—Our view is, yes, we do have faith—and it probably is faith—that the service will keep on going. But, as with most commercial operations, they do not disclose to us their exact financial position or how they are doing out of our particular route. If at some stage in the future they find they are marginal and need to consider their ability to continue to provide the service, we would certainly like to think that at local, state and federal levels we could go in and do a study into the social and economic impacts and perhaps come up with a package between the three levels of government.

ACTING CHAIR—But you are finding at the moment that there is no indication they are going to withdraw the service?

Mr Pluis—There is no indication whatsoever that they are going to withdraw.

ACTING CHAIR—Are you telling us that people are using it, the operators are providing a good service and it is generally working okay?

Mr Pluis—Yes.

ACTING CHAIR—On that positive note, I declare this session finished. Thank you very much for producing your evidence and answering our questions. If there are any matters that we wish to clarify, we will get back to you. Thank you for coming all the way to Wagga, probably by air.

Mr Plus—Thank you for giving us a hearing.

[11.05 a.m.]

BOYD, Mr Jeffrey Wayne, Chief Executive Officer, Brindabella Airlines

ACTING CHAIR—Welcome. Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament; consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as contempt of the parliament. Do you have any comments to make on the capacity in which you appear?

Mr Boyd—I am one of the owners of Brindabella Airlines, my wife being the other owner.

ACTING CHAIR—Do you wish to make any opening statements or comments?

Mr Boyd—I have not prepared a submission. I was asked to comment only last week, and last week was the first week of our operations in RPT, so I was a bit busy. I would like to give you a brief run-down on who we are, what we do and how we have got to where we are.

Brindabella Airlines has been operating for just over nine years now. About 14 years ago, we started as a maintenance organisation, which I was a half-owner in. My wife was a pilot with Kendell Airlines. She decided to leave Kendell to come back to Canberra for us to get married, and we decided to start a charter organisation, Brindabella Airlines, to basically provide her with employment. The company has grown from that through the acquisition of the other half of the engineering business by my wife and me. We have grown the charter business. We acquired a flying school a couple of years ago which was going broke. We managed to turn it around, and it now has a turnover approximately eight times what it had when we bought it. The charter has gone fairly soft in the last couple of years. We looked at the market for a regional airline out of Canberra to service some of the smaller destinations that were not being serviced and we decided there was a market there. So approximately 18 months ago we began upgrading our air operators certificate from charter to regular public transport. We got our air operators certificate in RPT in January, and we commenced services to Williamstown last week.

Our company now employs 21 full-time people—engineers, pilots, secretarial staff et cetera—and approximately 10 part-time engineers and pilots. We start a service to Wagga and Albury next Monday, the 12th. There will be two return services a day, and the services we are providing to Williamstown are also two return services on weekdays, with a Sunday evening service. The Williamstown service has been accepted tremendously. We have had full loads on several days. We were booked out for Friday by last Monday. So we are very excited about the potential of regional airline services using smaller aircraft and operating to destinations that were not previously seen to be viable. That is about it. Would you like to ask me any questions?

ACTING CHAIR—Are you one of the unique breed who is actually starting up an airline and making progress?

Mr Boyd—Yes, we have grown. The airline has basically grown out of the charter business, which grew out of the engineering business. So we have not been a start-up airline; we are an overnight success that took 10 years. It has been a long road; it has been a difficult path. Over the past 18 months, you sort of wonder whether you would do it again.

ACTING CHAIR—Are you facing the future with confidence in view of all the difficulties with regional airlines?

Mr Boyd—With Williamtown, we are. With the services to Albury and Wagga, the passenger loads are very light at the moment; tickets have been on sale for five weeks and there are many flights that do not have any passengers on them at all, whereas the pre-bookings for Williamtown were very strong. So we are hoping that Albury and Wagga will pick up. We have an agreement with Qantas, who are helping subsidise some of our losses for the first 10 weeks to Wagga in order to try and get the service up and running. But, if we do not see a positive trend after 10 weeks for Wagga, we will not continue with it. We believe that there is a viable service with Albury. It always had an air service.

ACTING CHAIR—Albury to?

Mr Boyd—Albury to Canberra. There was always a service between Albury and Canberra until about 12 or 18 months ago, when the local operator stopped the service for reasons other than the service being unviable. We had observed the passenger loads on that over the last 10 or 15 years and believe that Albury, although it is slow to start now, will be a positive route.

Mr SCHULTZ—What sort of aircraft are you operating? Are they nine-seater Chieftains?

Mr Boyd—Nine-seater Piper Chieftains. With Williamtown we have had absolutely zero market rejection of a nine-seater Piper Chieftain.

Mr ANDREN—In the passenger loads to Williamtown, is there a fair defence department proportion?

Mr Boyd—It would seem to be that 40 per cent to 50 per cent is Defence.

Mr ANDREN—Without that, would it be viable?

Mr Boyd—I would think not.

Mr ANDREN—To some degree, what would be the proportion of government and quasi-governmental fares within your existing and expected passenger numbers?

Mr Boyd—From Canberra, I would anticipate that it would be approximately 80 per cent. But then again most of the work from Canberra is either Defence or government related. It always has been, whether it is our charter or our flying school. Our flying school does training for the Department of Defence and recurrency for CASA officers. That is the nature of Canberra; we are a government town.

Mr ANDREN—I am trying to get to the point that, to be brutal about it, you have an in-built subsidy of airlines. It is the same thing out of Orange, perhaps, with the department of agriculture and other government departments and such. It is a fairly significant factor that sustains regional air transport, is it not?

Mr Boyd—It is. It is vital that the government people use the services. With most people who ring up and inquire about the service, like private citizens wanting to travel to visit their grandma in Newcastle, after you tell them that it is \$279 each way, they give the standard statement, ‘I can go to Brisbane for \$89 with Virgin,’ and then you have to explain to them what it costs to run a nine-seater aircraft on a run. If I could fill a 737 to Williamtown every day, I could charge \$89 a ticket as well. So, yes, you do need people from government, business and Defence et cetera who are willing to pay the money to go to Williamtown to save approximately three hours each way in travel via Sydney.

Mr ANDREN—I know you have had talks with Ian Armstrong around the Cowra-West Wyalong-Forbes configuration. Would an organisation like yours be interested in supplying a service out of those smaller ports? What is your view on hubbing and spoking?

Mr Boyd—As I explained to Ian, there is a difficulty in providing a service to somewhere like Cowra in a nine-passenger aircraft when they can drive to Orange and catch a 32-passenger aircraft. You have that market resistance to the smaller aircraft. People have to realise that either they have to use the service or they cannot have a service. There seems to be a lot of lip-service from the public that they all require a regional service—‘our town deserves a regional service’—but, when the regional service is there, no-one uses it. They will all drive from Cootamundra to Wagga to catch a Saab instead of using the Country Connection service that they were trying to provide out of Cootamundra. On that, I think that most of these small towns that have lost their service will probably never, ever get a service again, in that there is market rejection of light aircraft.

As for the hubbing and spoking, although Canberra is touted as the regional hub, our service is a direct service, because there is a need for direct services, particularly from Canberra to Williamtown. It was taking people three to four hours each way to travel from Canberra to Williamtown, and we can provide the service in an hour and a quarter. So the success of our Williamtown service seems to be based around the fact that people have rejected the hub-and-spoke-through-Sydney idea. We are hoping that Albury will be the same. Sussan probably travels to Canberra from time to time via Sydney and would know how long it takes to get there using the direct service. It is the same thing. We are providing a direct service and not really using Canberra as a hub; it is just a destination.

Mr ANDREN—Have you looked at Dubbo-Orange-Canberra as a route?

Mr Boyd—Dubbo to Canberra was trialled years ago by Airlink, and it was not successful at all. Orange has a very good service to Sydney, provided by Rex. Canberra has 300,000 in population, but the population of Canberra is not representative of the amount of air services it has, because of the amount of air services required to run Canberra as a government town. But, with places like Albury, I just do not believe there is the traffic. We had a look at the figures that the ACT government has produced. I do not believe there is the traffic between Albury or Dubbo to provide a direct service to Canberra.

Ms LEY—As a piece of complete trivia, the plane that I learned to fly in is online with Brindabella Airlines, which gives people an idea of the ageing of the aircraft fleet.

Mr Boyd—Which one is that?

Ms LEY—CSG.

Mr Boyd—No, that is not with us; that is the opposition.

Ms LEY—Right. It is close to where you are parked. It is good to see an airline return between Albury and Canberra. Clearly it is difficult, when people have got used to not flying—in other words, driving or coming to some other arrangement—to get them back in the air. I have a couple of questions about the route. You have mentioned the resistance that people have—and we have heard it from other people here—to little planes. I think they also have a resistance to flying over the mountains, particularly in winter. Given that in other evidence across Australia we have heard about the ageing of the aircraft fleet, particularly twin-piston engine aircraft, and the fact that the mountains are here, the icing level is here and you cannot go above 10,000 feet, your envelope of operations is a bit limited. I know that people have been scared about a flight like that, and they probably in many cases have not had a reason to be. Do you have any plans to address that—for example, on such a day, taking a detour via perhaps Holbrook, Yass and into Canberra—or will you be committed to that straight line between Albury and Canberra, over almost the top of Mount Kosciuszko?

Mr Boyd—Legally we cannot fly into icing conditions, so legally we cannot fly direct from Canberra to Albury if there are icing conditions to be encountered. So in our operations manual it is approved that an indirect route will be taken to avoid the icing conditions. One of the aircraft we are using we purchased out of New Zealand several years ago where it is a mandatory requirement to have de-icing equipment for regular public transport aircraft. It still has its de-icing equipment, and that will be the aircraft we will be using on the Albury route through winter. So we have two safety measures there: we are not supposed to be there in the first place; and, if inadvertently we do get into icing conditions, our aircraft can shed the ice.

Ms LEY—So you are confident that the de-icing equipment on that aircraft is satisfactory?

Mr Boyd—I have been there and used it. It is fine; it works well.

Ms LEY—You anticipate that there will be times that you will take that slightly longer route?

Mr Boyd—Absolutely.

Ms LEY—That is going to happen?

Mr Boyd—We have been operating from Albury to Canberra as a charter organisation for nine years. My wife flew out of Wagga for Western Airlines, which ran the Wagga-Albury-Canberra route for many years. We know the route well. We know the conditions that are encountered along the way. We also know the customer resentment to the icing conditions and the fact that they would much rather be 10 minutes late than not get there at all.

So we are quite happy to provide a slightly longer route around the highest hills in Australia and keep our passengers happy.

Ms LEY—I think the message that we need to get out to the community is that that can happen. The biggest government organisation in Albury is the Albury tax office, which employs some 700 people. Have you made any approaches to them to get them back using that route?

Mr Boyd—Yes, we have been to see them. I personally went down there two weeks ago. We have been in contact with all the people within the department who organise travel. They have all been updated with schedules and timetables, price lists et cetera as things have changed, and they have been notified of start dates et cetera.

ACTING CHAIR—Do you want to shift the whole Canberra tax office to Albury? Are you suggesting that?

Mr Boyd—That would be a good idea—or maybe half of it to Wagga and half to Albury!

Ms LEY—That is why the tax office ended up in Albury, through decentralisation under the previous government—a good idea, too. Were you frustrated by the fact that it took 18 months to upgrade your AOC in charter to RPT?

Mr Boyd—We were, very.

Ms LEY—Can you tell us a little bit about that process?

Mr Boyd—Sure; it is a saga. When we applied, we were given an approval date of August last year. It blew out from August last year till January this year. The original quote for the approval from CASA of our manuals and upgrading was \$5,000. The end bill was just over \$17,000. The manuals we wrote in the first place went back and forth, back and forth. Changes were made. Depending on which CASA representative you had—often with a different opinion on a different interpretation of the same regulation—it was changed.

The flying operations side of CASA was pretty straightforward; the guys were good to deal with. Changes we made to our operations manual, flying operations-wise, were generally agreed to be good changes and worthwhile changes.

The airworthiness or maintenance side of the approval was an absolute shambles. Three months after our application on the airworthiness side, we had virtually achieved nothing. I had countless meetings. I am a licensed aircraft maintenance engineer as well as a commercial pilot so I speak with 22 years of aircraft maintenance experience. The manuals we submitted for the maintenance of the aircraft were basically the aircraft manufacturers' maintenance manuals. The first people we dealt with rejected these out of hand as being inadequate. These are the manuals that the aircraft manufacturer updates periodically, in some cases monthly or weekly, as things change. The aircraft manufacturer takes data from around the world where these aircraft are operating. The CASA people believed we should have a maintenance manual devised by ourselves. As an example of what we should use they produced a 1968 Hazelton's maintenance manual and said perhaps it should look something like this.

Our maintenance manual was scoffed at and rejected. I was getting nowhere. Fortunately, I was able to arrange a meeting with John Anderson in his offices at Parliament House to cite my grievances. He was able, through the Department of Transport and Regional Services people, to do an audit into our application. The people who were handling the airworthiness side of our application were removed and someone was seconded from head office in CASA to come and handle the maintenance side of our application. After that, it went relatively smoothly. The manuals that we submitted in the first place were basically accepted. There were some changes made in the interpretations of things and in the instructions on how to use these manuals but predominantly the manuals that we had submitted in the first place, that were scoffed at, were then accepted. They are the ones we are now using as an RPT organisation. It still took a lot of time toing-and-froing in interpretation of regs. CASA has 1988 civil aviation regulations and 1998 civil aviation regulations. There are regulations that have come out in the last couple of months. There are civil aviation publications, CAPs, that have been produced by the legal department in CASA as an interpretation of their regulations. We used these civil aviation publications, these interpretations, as justification as to why we wanted these manuals and we were told, 'They're only advisory publications.' They produced them!

ACTING CHAIR—From an operator's point of view, what is your reaction—that it is totally unreasonable?

Mr Boyd—It is totally unreasonable. There is the fact that they had to second one person from central office to come and handle our application when there is an office in Canberra airport that is supposed to handle all the New South Wales country maintenance issues. There was no-one there adequate to handle our application.

ACTING CHAIR—Once you got somebody sensible to do it then the thing was resolved?

Mr Boyd—Yes, there was no problem at all.

Ms LEY—But if it had not been for the personal intervention of the minister, how much longer do you think you might have had to wait?

Mr Boyd—I probably would have given up.

ACTING CHAIR—The airline would not have been operative?

Mr Boyd—No. It was the most frustrating thing I have ever dealt with as a professional aircraft engineer knowing what was required to have a regional airline. Incidentally, we have had class A maintenance on our maintenance facility for 14 years. We have maintained other people's light airline aircraft, including our facilities aircraft, for 14 years. I have looked after regional aviation airline aircraft since I started my apprenticeship in 1979. With my experience, having to deal with people who were basically coming from a military background with no idea was very frustrating.

ACTING CHAIR—You bring a practical, longstanding knowledge of LAME type activity to the whole problem, so you would be in a unique position to make a judgment on this. Is that right?

Mr Boyd—Absolutely; as an operator, a licensed engineer and also as a commercial pilot. And we were not trying to short-cut anything. We were using the aircraft manufacturers' standards. Incidentally, this is what our aircraft were always maintained to. Not a single nut, bolt or washer had to be changed on our aircraft to go from charter to airline, because we had always chosen to maintain our aircraft at this standard—just because that is how we wished to do it.

ACTING CHAIR—So CASA's attitude was based on the 1968 manuals of Hazelton.

Mr Boyd—That was the type of manual that they said we should produce out of our systems.

ACTING CHAIR—How would they come to that strange conclusion?

Mr Boyd—I have no idea. They wanted us to create a maintenance system, whereas all I wanted to do was to use something that was created by the manufacturer.

ACTING CHAIR—With worldwide contribution.

Mr Boyd—Absolutely.

Mr SCHULTZ—Mr Boyd, I have got to say to you that what you have just told us about your experience with CASA does not surprise me. I have asked some questions today about the different interpretations of their regulations by individual employees of CASA. You were very fortunate to be able to get an audience with the minister of the Crown and get that sort of pressure on. In your view, would there be a lot of people out there who do not have that luxury because they are out of business because of the pressure that CASA applied to them or because they are in the process of going out of business because of the pressure being applied to them because of CASA's inflexible, bureaucratic and arrogant approach to small business? I ask that because yesterday someone in the aviation industry told me about a person who has run a business with his father for a significant number of years, doing welding on aviation airframes, and another person who is in the business of supplying sheet metalwork for aircraft. They were both talking about going out of business because they cannot comply with the demands of CASA.

Mr Boyd—I know exactly the two people you are talking about. There are a lot of people like that out there. We have found that becoming a larger company is the only way it is viable for us to exist. I have a person dealing full time just with the airworthiness paperwork side of issues with our company. There is an aviation industry newspaper that comes out once a month with aircraft for sale et cetera. I was talking to an operator in Coffs Harbour several months ago who was trying desperately to get his air operators certificate for RPT to operate services from Coffs Harbour to Brisbane and had purchased the aircraft to do it with—an immaculate aircraft. I noticed yesterday that it is for sale. When I spoke to him six weeks ago he had just about given up; it had been over 12 months. He did not have a maintenance background, and again it was the airworthiness issues that were causing the problem. He was at loggerheads with them, getting nowhere. As I said, I noticed yesterday that the aircraft is for sale, so he has obviously given up.

We have noticed many of our suppliers of subcontract services—welding services, sheet metal services et cetera—have declined over the past few years. I cannot let CASA take all the blame; the industry has had to change its attitude and its ethos and lift its game over the last 10 or 15

years. General aviation was and still is, in a lot of places, in decline and as such the standards are lower than they should be. We have had to bring ourselves up to speed. We have had to try to comply with all these new regulations that have come in and we have had to introduce things like procedures manuals and quality control systems. You can understand why a small father and son company would have so much trouble introducing a quality system or a one-man operation having a procedures manual when he is the only person who ever does the work. CASA's attitude is: 'If you walked out the door tomorrow, someone should be able to walk in, pick up this manual and run your business.' If he walks out that door tomorrow, there is no business. The amount of time wasted on producing a procedures manual for a one-man operation just makes an organisation like that unviable.

ACTING CHAIR—Following on from Mr Schultz's question, it has been suggested by some other witnesses that CASA can take a vindictive attitude if they have been dealt with by an individual airline. Would you be worried that having overcome these massive hurdles that some of your activities might be singled out by CASA?

Mr Boyd—No. I probably be should, but I am not. We do nothing wrong. We are in accordance with the regulations. We have just been issued with a RPT AOC.

ACTING CHAIR—You are hopeful you will not get undue attention from CASA?

Mr Boyd—We will get undue attention—there is no doubt about that.

ACTING CHAIR—Why would you get undue attention?

Mr Boyd—Because, as you said, there is a vindictive attitude in there. People are people, and there are people in there with a vindictive attitude—so we will get singled out.

ACTING CHAIR—You are an entrepreneur who is putting your money up-front. You have gone to every effort possible to comply with the regulations, you have got long experience in aircraft maintenance and your wife is a pilot, so you would be as well qualified as anyone in Australia to run an airline. Would that be a fair comment?

Mr Boyd—I would think so.

ACTING CHAIR—and yet CASA may give you more than your fair share of attention on these new routes and the way you run your aircraft.

Mr Boyd—I do not think so. I stress that we have never had any problem with the flying operation side of CASA. The flying operations inspectors have been terrific with us—they have complimented us on our aircraft, on our operation and on our pilots. The undue attention that I think we get, and will continue to get, is from the airworthiness side.

ACTING CHAIR—And you have a culture of safety and a culture of maintaining your aircraft?

Mr Boyd—Absolutely. My wife flies our aircraft. Our children fly in our aircraft.

ACTING CHAIR—That is pretty good encouragement.

Mr Boyd—If we have an accident, we are out of business. I started working on aircraft when I was 17; my wife started learning to fly when she was 16. We do not know how to do anything else, so it is vital that our business stays—

ACTING CHAIR—So what you are really saying to us is that your fundamental approach is that you are very safety conscious, you adopt safety conscious procedures and you can hold your head high in view of CASA's approach to any of these aspects.

Mr Boyd—Absolutely; we do not shortcut anywhere.

Ms LEY—Chair, I think that anyone who has used Brindabella Airlines, as I have both in a chartered capacity and hiring for myself, would thoroughly endorse those remarks—no question about it.

Mr SCHULTZ—Would I be right in saying that the majority of people in the aviation industry would follow that particular line? You will always have one or two individuals that will not. It is not only related to the air passenger services that you guys supply; it is also related to the industry centred around agriculture et cetera—the pressure that is coming from the CASA individuals that you are talking about. Having said that, what are your views about the current restructure of CASA by the minister? Do you think that that is the model that needs to be introduced to clean CASA up? Do you believe that there could be an alternative model that would probably produce the safety and aviation outcomes that the industry as a whole would like, and do it more efficiently than the rehashed model?

Mr Boyd—I think that it is, like you say, a rehash. It is just a shuffling of the same guard. I think what CASA needs is a long close look at itself and I do not know how best other than for them to be audited by an outside organisation. It seems to me that whenever they decide that there is a problem in CASA, it is solved or resolved or reshuffled from within CASA. Whether it is the same people trying to keep their jobs or the same people trying to protect their positions I do not know, but I think that the whole thing needs not just a shake-up but major changes. The new regulations we are getting issued now seem harder to comply with and more ambiguous than the regulations we had in place. They have been back and forth from the lawyers that many times that a licensed aircraft engineer on the floor cannot interpret some of this stuff—it is legal jargon. We need to take it to our lawyer before we can put a spanner on the aeroplane.

As CASA change the regulations—and I have said this to CASA representatives—they need to be training their staff. They need to take their people out of these regional offices and back to head office and have them reprogrammed so they are all out there giving the same interpretation of the regulations. That would mean that we would not have someone at the Canberra airport office, which covers regional New South Wales, giving one interpretation and the people at the Bankstown office, which covers the Sydney basin, giving a completely different interpretation of the same regulation. There needs to be the one voice coming from every single individual in CASA, and then people would know where they were at. Getting rid of the board and putting someone in with a bit more of a handle on it, like the minister, is probably a good move. I think that would be appropriate and good but I do not think it would be enough.

Mr SCHULTZ—I was absolutely astounded to hear you say that they even have legal people checking their own documents. That would indicate to me that CASA has become a monolith that really is overextended to the point where its people are looking to create problems to justify their positions, which happens in large organisations. Would you like to comment on a view that I have that perhaps we should carry out a full and intensive inquiry into CASA itself and/or shut it down and look to form a new body that would be more practically disposed towards the aviation industry than CASA is?

Mr Boyd—I do not know if it needs to go that far. There are some good people in CASA and there are some people in it that do want to make the organisation work. There just seems to have been a lot of rubbish that has filtered up through to the top ranks. Particularly in airworthiness, you have people who, to be quite blunt, would not get a job as an aircraft engineer working for me but who are in there writing the rules and auditing the organisations. That has resulted from the fact that I would not go to work for CASA. If I did not have a regional airline to try and make a dollar out of and if I were looking to go to work for a government department, I would not go to work for CASA. I could not stand it.

They need to be able to attract quality staff, and they are not getting quality staff. What they are getting are a lot of people who live in Canberra and who have something to do with aeroplanes. They are not attracting people of expertise from wider Australia. You have flying operations inspectors there who used to be instructors at the Canberra Aero Club, who just fell into a job as a whatever in CASA and who have managed to filter their way to the top. Maintenance engineers are the same. They are the people who have not been able to get a job anywhere else in the region and have ended up at CASA. It just seems to be the collecting ground for the unemployable.

Ms LEY—I have some quick questions on the Albury route. Are you able to tell us the seat capacity or seat loading you are going to need on a long-term or short-term average to maintain that service?

Mr Boyd—To break even on a Chieftain on the Albury route, we need three passengers one way and four the other.

Ms LEY—Per day?

Mr Boyd—On each flight; there are two return flights a day. On each flight of a nine-passenger capacity we need about 3½ passengers to break even.

Ms LEY—On each one-way flight?

Mr Boyd—Yes, each leg.

Ms LEY—Are you receiving any assistance from the New South Wales or ACT governments?

Mr Boyd—We are getting some second-hand assistance through the ACT government in that we are getting it through Qantas. The ACT government had provided funding to Impulse to trial some regional routes out of Canberra. Qantas bought Impulse and inherited the responsibilities

of trialling these regional routes. Qantas, having got rid of the smaller Impulse aircraft, are utilising us to trial the Wagga service. Qantas have also given us help in other areas with regard to terminal space. All our flights are ticketed by Qantas and we use Qantas check-in facilities at all the airports.

We have had no assistance from the regional centres of Wagga and Albury, but Newcastle airport have provided a lot of advertising assistance. We certainly could do with some more assistance from Wagga and Albury. I think I mentioned at the start that air costs are about \$180 to land an RPT flight full of passengers in Wagga and it costs \$25 to land the same plane as a charter aircraft. If the councils do want the services, it would be nice for them to give us a bit of a break in the start-up period.

Mr SCHULTZ—You are obviously very good at what you do, and I am not saying that to be patronising. You also have taken it upon yourself to supply a service to rural and regional Australians. What sort of role in the way of subsidy or assistance do you think the Commonwealth could play in assisting your airline, as an example, to maintain that much needed service to rural and regional Australians?

Mr Boyd—They are already providing subsidies in that we do not get charged any en route charges with Airservices Australia. That is a great break for us. I guess the Commonwealth could help in that, as I said, the \$5,000 quote from CASA turned into a \$17,000 bill—that sort of thing. The amount of man-hours that went into getting the manuals rewritten and approved would go into tens of thousands of dollars. Who could count it? I do not know whether the federal government could do anything other than give some sort of a break on our fees to CASA. We get charged the standard \$75 an hour for a CASA person's time. If we are going to do this and get some regional services up and operating, perhaps there could be a break there. Perhaps there could be some assistance in funding for consultants to assist us. We employed a consultant in the first instance but it was just too expensive; we could not afford it. We had to do it all ourselves. It probably would have taken a lot less time if we had someone helping us who had done all this before. Perhaps there could be some funding for consultants to assist organisations like us to upgrade our operating certificate to RPT.

Just on that upgrade of the air operator certificate to RPT, there is a notice of proposed rule-making out at the moment that all charter organisations would come up to the standard of an RPT organisation. I think that is farcical. I do not think that can be achieved in any way, shape or form unless they have a different standard. For the one-man organisation at Broken Hill which has a charter licence and provides an essential service out there to become an RPT organisation, if he had to go through the same hoops as we did it would not be feasible. If CASA does want to bring that in, I can only see that that will reduce the standards required by some organisations over others. The trouble with that is that at the end of the day we all end up with the same certificate and if someone got that licence easier than someone else, they could still hang a shingle out the next day and start an RPT service somewhere. Sorry to go off track there.

Mr SCHULTZ—That is fine. The outcome of all that, of course, is that the isolated rural community loses the service.

Mr Boyd—Yes, if that charter organisation has to go up to an RPT standard as we did. I think they need to retain the present two-tier system where they are charter and RPT. I do not think

there is any justification in having a single-tier system. It does not happen anywhere else in the world. I think it would be nice for us all to drive Mercedes Benzes along the highway—it would be much safer—but not all of us can cannot afford to, can we?

Mr SCHULTZ—That is right.

ACTING CHAIR—We are near the conclusion of this session. Could I raise a matter of your strategic alliance with Qantas. You did mention that they were assisting you a bit on the Albury-Canberra line. Can you give us some background information on your relationship with Qantas?

Mr Boyd—We approached Qantas in the first instance nearly two years ago about starting some regional services, initially to pick up on the Albury service that had been dropped, and then we were approached by Newcastle Airport to look at starting the Williamstown service. Qantas have been very good: they have been very receptive of our company and very helpful. It was later in the piece that Qantas and the ACT government decided that we could help them all out with this problem with Impulse and no longer having aircraft suitable for doing what Impulse had been given the money to do. We have found Qantas very good. The other thing is that we could not have done what we are doing without being in Qantas's system.

ACTING CHAIR—Are you in their reservation system?

Mr Boyd—We are in their reservation system.

ACTING CHAIR—Is that a major factor in your early operational success?

Mr Boyd—That is the only reason we are making a success in the early stages. The people that we are flying to Williamstown would have gone via Sydney with Qantas in the first place. As we said earlier, Qantas has that contract to move government and defence people around the countryside.

ACTING CHAIR—So Qantas have been helpful both formally and informally in encouraging you to operate, to take a bit of pressure off some of this regional activity from their point of view?

Mr Boyd—Absolutely; Qantas have been fantastic.

ACTING CHAIR—Do you have a good relationship with the senior people?

Mr Boyd—Chris McArthur, the General Manager of Qantas Regional Airlines, rings me every two or three days to check on how things are going. I have his mobile phone number and I can ring at any time I like to discuss any problems.

ACTING CHAIR—It is an encouraging trend that in this case there is good cooperation by the major operator to provide a service for regional Australia, almost from scratch in a couple of cases.

Mr Boyd—Yes. We were only a charter organisation when we went to speak to them in the first place, so they have been there the whole way through.

ACTING CHAIR—What sorts of difficulties did you encounter with getting off the ground?

Mr Boyd—The fact that you had to have an RPT air operators certificate before you could have an IATA code. You cannot be in the Qantas booking system until you have an IATA code, and it takes six weeks to get an IATA code. All these things are delays.

ACTING CHAIR—But generally, because Qantas was supportive and you had a senior manager's support, you were able to get off the ground. If that implicit support had not been there, you would not have made it.

Mr Boyd—No, we would not. Also, we were a functioning moneymaking organisation in the first place. The aircraft we are utilising for the RPT are aircraft we already owned as charter aircraft. As I said before, the charter market was going soft and the aircraft were not getting the utilisation they used to get, so we did not have lots of money sitting out there on the tarmac.

ACTING CHAIR—It was still a fairly courageous move given the circumstances of the airline industry.

Mr Boyd—Yes and no. It would be fairly courageous to stay with a dwindling charter market too.

Mr ANDREN—What if you were to run in competition with Qantas on Dubbo-Sydney or something like that—are you under a contract?

Mr Boyd—No. Airlink at Dubbo work in the Qantas reservation system, and they run services from Dubbo to Sydney. They work around Qantas services. They provide more frequency than Qantas could probably provide otherwise. We have basically taken passengers from Qantas. By starting to run from Canberra to Newcastle we have taken passengers that would have normally flown to Sydney first with Qantas. I do not think they see that as a major issue. They see it as helping to provide more service. They have the tender to provide that government travel, and by utilising us and supporting us they are providing a better service to respond to their contract.

ACTING CHAIR—Do you have any last take-home message you would like to give the committee, on the record?

Mr Boyd—Just that it is not easy to become a regional airline and that it would be nice to get a bit more support from CASA and a bit more of a straight run at things, rather than the weaving path we had to take to get the certificate.

ACTING CHAIR—On that closing note, thank you very much for being with us and thank you very much for your comprehensive evidence and forthright comments. If there are any matters we might like to get back to you on, would that be in order?

Mr Boyd—Certainly.

[11.49 a.m.]

REES, Mr Paul Desmond, Governing Director, Singleton Air Services Pty Ltd

ACTING CHAIR—Do you have any comments to make on the capacity in which you appear?

Mr Rees—In a previous life, Singleton Air Services traded as a regional airline called Yanda Airlines.

ACTING CHAIR—Although the committee does not require you to give evidence under oath, I should advise you that these hearings are formal proceedings of the parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as contempt of parliament. Would you like to make an opening statement?

Mr Rees—Yes. I first lodged a statement with the committee when it first called for submissions. I could run through that, but in reality regional air services, as I know them—and I stress that I operated within the New South Wales environment, which may be different from that in other states and other areas—basically depend on two things. One is the financial side of the operation and the other is the regulatory side of the operation. These two sides interact: without the financial side there is no need for the regulatory side; but, if the financial side is there then the regulatory side becomes fairly important.

The regional air services I talk about are to small country towns with small operators such as Jeff and Lara Boyd, Terry and Deirdre McKenzie, and my wife and I. We go to smaller towns which are more affected by the ups and downs of the rural environment and, because we are there, we get to know the people. In our case, we were flying a second generation of passengers in the Hunter Valley by the time we finished. We tend to ride with the punches and bend with the good times and the bad times. But there comes a time when you get a series of bad times—with us, it was the Mobil fuel contamination and the rural downturn—and the regulatory side gets you to the point of saying, ‘We’re out of here. We don’t want to do it any more.’ I asked Jeff Boyd a couple of weeks ago, ‘Why are you doing this?’ and he said, ‘Because I’m 20 years younger than you and you’ve already done it.’ I tried to give him the benefit of my advice, but he wishes to proceed. Unless those two environments interact, you will not get air services to those towns. A lot of those small towns should have air services; it is one of the reasons they are there. If the government does not want air or other services to those towns, it should decide whether or not it wants the towns. But that is a completely different issue.

On the financial side, we have had a huge shift in costs over the last 15 years since the federal government decided to devolve the airports from the local ownership plan into ownership by the shires, with the cost recovery in the original CAA and then when CASA and Airservices were split. To give you an idea, in the eighties we paid air navigation charges. We paid one charge a year. From memory, it was about \$5,300 per aeroplane. Because we operated from our own airfield, which we had built ourselves, we received a 50 per cent rebate. In the year we finished operating, we paid \$180,000 for the same services. To that, you can add another \$100,000-odd

worth of additional flying and holding going into Sydney that we did not have in the eighties. When the third runway was introduced, it caused a dramatic increase in our flying time and a slow-down in traffic. When you have only 10,000 to 20,000 passengers a year, a \$200,000 or \$300,000 increase in your costs results in a pretty dramatic ticket increase and you get ticket shock, so that drops out. We had those sorts of fees come in.

On two occasions, the government reduced the excise on fuel. On the first occasion I think it was by about 4c and on the second occasion I think it was by about 10c. It took the oil companies six or seven months to get the 4c back on the first lot and about three months for them to get the 10c back on the second lot. We ended up paying the price for the fuel anyway, instead of having to pay for the costs. From our own personal management point of view, the manner in which we were charged also changed. Instead of getting one bill per annum and giving one cheque per annum, we received invoices on a per flight basis from Mascot Airport to the country airports from Airservices, and each one had to be checked. Our office management time exploded to cover that, and that was another cost.

When you tie that into the regulatory side of it, you can see why after 25 years of being in the game we just walked away from it and ended up with our final exercise with CASA. Regarding the regulatory side of it, I will not say it has got out of control, but it is now run by an organisation that is unanswerable and unaccountable. It does what it wishes, and you can conform with it or you can take it to the Federal Court or the AAT, neither of which is a viable option for a small operation. Effectively, you are fighting the Commonwealth government and its resources.

Jeff raised the issue of the problem with some of the cases with airworthiness. I can only expand on those and emphasise that he is absolutely correct on some of that. We also had a problem with the flying operations side of it as well. But that depends on the individual you are dealing with. From 1995 until probably 1999 we had an excellent relationship with the Tamworth field office where we worked. The district flying operations manager had a great deal of operational knowledge—in fact, he was far more on the ball than any other person from CASA we had ever dealt with. It was the same with the airworthiness manager—he was on the ball—and they were both there to assist. Now CASA's attitude is that it is not there to assist; it is there to regulate. My argument has always been that you do not force people to do things; you lead them to do them. If you cannot lead them to do something, then you should not be doing it at all. I spent a couple of years following the steps of the previous member for Farrar, as a national service platoon commander. One of the things we were taught long and hard was that we were there to lead; we were not there to force. If we could not lead, we should not be there.

ACTING CHAIR—I will lead off with a couple of questions. You mentioned the ALOP scheme and the airports. Your experience has been that devolving the local airports was an unfortunate move by the Commonwealth—did I hear you correctly on that?

Mr Rees—That is correct.

ACTING CHAIR—Based on what: the cost of running the smaller airports or the increased charges to you as an operator?

Mr Rees—I think a bit of both. You had technical assistance available to the councils; they now have to pay for that. There has been a sea change within the councils. The airport was always something that the Commonwealth paid part of the cost for, so it did not really take part in the council budget, whereas now it is a cost centre for the council, so that has reemphasised the cost. Most of the airstrips that were left were capable of carrying Fokker Friendships. They were 5,000-foot, 6,000-foot or 7,000-foot runways—mainly 5,000-foot to 6,000-foot runways—30 metres wide. The Fokker Friendships were replaced—in our case at Coonabarabran—with a Piper Chieftain that needed 3,500 feet, 18 metres wide. The money is spent on a huge airstrip which is not going to be used, so there is a problem with those sorts of things.

I think it just created an environment where costs became out of control. We have ended up with an organisation called AvData, and they go around and collect landing fees on behalf of the councils, but I believe they take a fairly substantial percentage of those fees. So we have another layer of organisation siphoning money out of the system.

ACTING CHAIR—So, in a devil's advocate position, you would be recommending that the Commonwealth should take back these airports?

Mr Rees—I have seen enough in politics to know that you do not march backwards. I do not know how you march forwards with it but certainly something has got to be done to lessen the costs of using an asset and also to stop the asset from being frittered away. The asset—major airstrips around the country—is disappearing. I suppose a decision should be made about whether we need that asset. If we do not, let us get rid of it but, if we do need it, why are we letting it waste away?

ACTING CHAIR—Interestingly enough, some of the witnesses this morning suggested that they were happy with the arrangements. In the case of Albury and some of these other airports which the local councils run—Leeton and Narrandera, for example—they are happy with their jurisdiction and the monetary arrangement. That is just an observation. Other witnesses have been a bit upset that they have had to take the full cost—both recurrent and capital future costs.

Mr Rees—I think it depends on what use the airport gets. Places like Tamworth and Armidale in my area actually make a profit out of their airports, so they are undoubtedly more than happy with their airport. Coonabarabran, which now gets no air service and has this great white elephant sitting up on top of the hill above Coonabarabran, probably is not so happy. So I think it depends on what they earn from their asset.

ACTING CHAIR—I want to ask a quick question about the slotting argument that arose this morning. Do you have a view about slotting in Sydney and the smaller regionals. Do you have a view on what should happen to a particular slot if a regional airline goes broke? What should happen if somebody else wants to start up? Can you give us a view, from your experience?

Mr Rees—Our experience is that previous to the slot system there was an allocation and we had a committee that worked and away it went and we ended up having a firm slot system. I might add that prior to that we had a peak period surcharge, which meant all the small regional airlines shifted out of the plum slot times into Sydney. Then the peak surcharge was done away with, when the slot system was introduced, and by that stage the peak slots were all full and the

small regionals could not get their old slots back. So either by sheer luck or some Machiavellian activity we were done in the eye.

The way the slot system exists now, if an operator ceases, the argument is that those slots remain in the regional slot pool for, I think, 12 months and then revert into the general pool. I would say that most of the slots must now just about be reverted into the general pool, which means that a regional operator would have great difficulty getting one out, unless it was not wanted by a larger aircraft—because the priority of allocating slots works on aircraft size.

ACTING CHAIR—Do you think this committee should make a recommendation in this area, to make sure that the regional airlines do have a chance of re-emerging, if the economics change?

Mr Rees—I think that is not a bad idea. I am not quite sure how you would do it. In my days—in the early nineties, for instance—there were 10 independent regional airlines operating in New South Wales. Before Jeff started, there was one—so he does not go to Sydney. I suppose the question has got to be: will there be a need for those slots for independent regional airlines? If there were no need, then probably if I were the airport owner I would say, ‘Why are we keeping these slots when they are not needed?’ However, I think there should be a requirement somewhere in the system for the airport authority or the slot control mechanism to make slots available should they be needed at some stage in the future. There has to be some sort of protection, because if, for example, I want to fly from Singleton to Sydney in a nine-seat aeroplane, I am never going to compete with somebody with a 300-seat airbus. So there has to be some mechanism to claw back a slot.

ACTING CHAIR—A possible recommendation by this committee could be that slots be kept open by way of Commonwealth regulation for regional airlines.

Mr Rees—If nobody is going to use them, then I think it would be hard on other operators not to have them available.

ACTING CHAIR—But you cannot start an airline if you have not got a slot.

Mr Rees—If someone wants to start, there has got to be a mechanism to give them a slot.

ACTING CHAIR—I think there were a few well-known airlines that had that difficulty—bigger ones. They could not get slots at Tullamarine.

Mr Rees—It is always a problem. At one stage, we all thought that the slots would have a worth, but as it turned out none of us actually got to exploit that worth.

ACTING CHAIR—No doubt my colleagues will deal with the CASA argument. Ms Ley, do you have a question? I would say that Mr Schultz has about 20 questions.

Ms LEY—I am interested in your ideas on the hub model. You obviously have some ideas on how that can and cannot work. Could you expand on that, because it is obviously an interesting consideration for the committee.

Mr Rees—I think the hub and spoke is overdone. You have to have the right environment to run it. We had big plans in the mid-eighties, when we first took over Singleton Air Services, to incorporate that and list on the second board of the Stock Exchange and have smaller operators in the country towns feed into us and then go on from there. When you look at the geographic shape of New South Wales—and once again I stress that I have to deal with New South Wales because I am not familiar with the other areas—you see that the feed into Dubbo is really about the only hub and spoke that is feasible, and even there Airlink have their problems. As Jeff said, they are in the same computer reservations system as Qantas but they are on page 2—not page 1. So a brand-new reservations clerk will pull up the first page for availability and up will come all the Qantas flights. The reservations clerk has to actually go ‘display A’ in order to get the other flights. That has always been the big advantage that the CRS owner has over the client airlines.

Regarding the hub and spoke issue, I think the Dubbo system works. It has been operating with David for quite some time—probably 10 years or so. In other places, we just do not have the population density. Once you get to Wagga and go west of Wagga, you do not have many towns that generate an air service. You have Leeton, Griffith and Narrandera, but they have their own. Beyond that, we are starting to get out into the very tiny communities that just do not have an air service.

McKnight flew from Deniliquin to Wagga for God knows how many years in a little Cherokee 6—and I think he had an Aero Commander at one stage. He flew backwards and forwards, day in, day out, until he got tired of finding his way. I think there is a reporting point halfway between the two that they actually called after him, because he had been there that much. You get isolated cases like that. In the New England area, I do not think there is too much that works. There is probably room for Inverell and Glen Innes to be fed into Tamworth. Qantas in fact subsidised Airlink, operating a Chieftain, but the timings were not right because they could only use the secondary Qantas flights and not the early morning flights that everybody else wants to use. So there is a problem with that, and there is also a problem related to how you would do it, other than compelling people to work that way. It certainly has not arisen by itself, naturally.

Ms LEY—So, as far as you are concerned, the idea has been examined and really has not taken on a life of its own and therefore is unlikely to be successful, particularly if it is forced on anyone?

Mr Rees—You could probably compel the system to do it, and it might well work. How well it would work, I do not know, but it certainly has not flowered by itself.

Ms LEY—Do you think realistically there is a future for air services for the smaller towns such as Cootamundra, Young and those little towns? You may not be familiar with the geography of this immediate region, although you probably are if you know New South Wales, but we heard evidence this morning from our first witnesses about Cootamundra, Young and those little towns.

Mr Rees—I was a similar operator on the northern side of the state, and I am afraid those towns—and the towns that I served—are not going to get another air service. We had a long association. We operated in the Hunter Valley for 20 years; we were flying the children of our first passengers. We still have an association with Gunnedah, and occasionally the Gunnedah

council ring up and say, 'What do you think about this proposal?' and we are still trying to help there.

One of the problems is, even with companies like Ansett, you collect your equipment, your parts, your baggage trolleys and your radios over a long period of time, and once somebody stops and those assets are dispersed the next person has got to pay retail for them. For instance, I probably had \$200,000 or \$250,000 worth of spare parts for my Chieftains, but I had acquired those over 20 years. Somebody else who wants to start has got to put \$250,000 on the counter. It puts a huge financial bow wave there for anybody to start.

Ms LEY—There are huge entry costs and, as we heard from Brindabella, you have to have an existing business that you can develop.

Mr Rees—It all flows, as he said. You cannot get your IATA code designator until you get your AOC. You cannot get your AOC until you have got a manual. We had a stoush with CAA in 1994, and manuals that were accepted in August were no longer acceptable in the first week of November, so they had to be rewritten. That sort of bastardry can occur with monotonous regularity.

Mr SCHULTZ—Mr Rees, my parliamentary colleague has covered some of the points that I wanted to raise. You made considerable mention in your submission of the role of CASA, amongst other things, and talked about how CASA's attitude has created very difficult circumstances for people. I have to say to you that that is not surprising to me, because I have heard it over many years now. You talk about the regulator and its staff being responsible and accountable and the accountability being available, speedy, affordable and, most importantly, genuine. Given that the minister has made a decision to some degree to change CASA's structure around so that it becomes more accountable and, given that that has a very real impact on the industry, with the industry looking for some sort of a sign that the regime that previously operated does not operate in the same manner, do you think there is a better model that we perhaps could have looked at, in terms of rehashing CASA, than the one that has been implemented by the minister?

Mr Rees—Firstly, I do not think the minister's amendments will achieve anything. They do away with the board. My personal view at the time they split the CAA was that there should not have been a board and that there should have been one person who was responsible. The problem with a board is that you have this amorphous group that is responsible. Nobody is ever personally responsible; it is always a case of 'The board wants it,' whereas if you have one person running it, if he does a good job he gets taken to lunch in the parliamentary dining room and if he does a bad job the minister goes to his office and fires him. That is achievable.

However, I do not think the current problems with CASA relate to the board. The problems are internal, within the management of CASA and the way CASA has grown up. There is a culture in there of unanswerability—that they will always be supported. To give you a case, I put in a formal complaint about an area manager. The area manager at the time wrote on his standard form recommendation about us to the decision maker on renewing our AOC, and his first sentence was, 'Singleton Air Services Pty Ltd have been operating low capacity, regular public transport operations for approximately five years.' We had been operating for 20 years! Now I could accept that he could make a mistake of a couple years, if we had been operating for three,

four, six or seven years. I went back and said that this man either did not know the stuff he should know and was therefore incompetent or he did know and lied and was therefore a liar. Either way, there should be a serious cloud over his role in that position. All I got in the 15 months, I think, of dealings over that with CASA was that the sentence did not affect the decision making process. Who cares?

Back in the dim, dark days of being a young platoon commander, if I had said something about one of my soldiers that was patently wrong or that I had not bothered to check on, in the charge hearing the soldier would have been marched out and the OC and I would have had a very serious heart-to-heart talk—me standing, him shouting and me listening and saying, ‘Yes sir; yes sir; I will not do it again, sir.’ Nothing has happened. They are not held accountable for their actions and statements.

To give you another example, in another incident we had a pilot who did not set the trim properly, and so CASA were going to investigate it. At the end of it, I had formal advice in writing from the person in CASA that the investigation had been completed. I wrote to him and said, ‘That is interesting, because your investigator has not spoken to me, to the pilot or to our maintenance people. Who conducted the investigation? Who did they discuss, what did they do and where is the copy of the report?’ The response was, ‘We did not have to finish the investigation, because your AOC ran out and we did not need to do it.’ I replied, ‘Why then did you say you had completed it? You have either completed it or you have not completed it?’ After six months we got to the stage where they said, ‘We have got more important things to do; you can get lost.’ I wrote back and said, ‘This will be done in any forum you choose; it may even be done in the courts.’ Their response was, ‘If you feel you have got to do that, do that.’ There is no accountability within the organisation for these things.

There was a classic case of another young bloke who turned up on my doorstep with a show cause notice in his hand, wanting some advice. As I pointed out, my record on show causes was not exactly startling. He had 62 items on his show cause. He eventually went to two former district flying operations managers, and they did the response. As one of them said to me, there were only six or seven items CASA could verify and only one of them involved a breach of the regulations, which they denied. The young man was subsequently required to undergo counselling: if you go through a show cause system with CASA and at the end of it you are only required to undergo counselling, you have beaten them big time.

Some months later they said that further information had come to light and that they were investigating that. They would not tell him what information had come to light or how they were investigating it. How you would investigate somebody without talking to them, I do not know. Even the police drag you in for questioning if they think you have done something. He was given a further show cause with 71 items on it. The original 62, which had already been answered, were on the second show cause. The other nine related to information that the pilot had provided. He had been offered some sort of indemnity, I believe, and had told all he knew about the operator. The operator at that stage, under freedom of information, had already obtained documents where the original investigator had said the pilot was untrustworthy, unreliable and untruthful, yet they relied on that same pilot’s evidence to hang somebody’s whole future. This is what I think CASA do not understand—that a person’s AOC is basically them: it is part of them, it is what they stand for, it is their position in the society they are in. My kids had to go to school the day after it was all hit on the head and face accusations that their old

man was a rogue. CASA just do not understand what they are doing. They are playing with people's lives.

Mr SCHULTZ—In closing, in your submission on the last page you talk about the difficulties with the regulator and its changing requirements and interpretation of the rules. You also say:

In this regard, I have documentary proof that the regulator, ie its staff, have—

and you list five points. In the final paragraph of that document, you say:

Should the Committee so decide, I would be available to expand my thoughts and provide documentary proof of my statements.

You are certainly expanding your thoughts here today to the committee, but can I ask you, as a matter of urgency, to supply the committee with the documentation that highlights the very points that you raise on that last page of your document?

Mr Rees—Sure.

Mr ANDREN—You began by asking whether the government wants towns to survive—looking back, I guess, to that situation where West Wyalong, Young, Cootamundra, Singleton, Scone and so on had air services. I think you went on to suggest that that is probably no longer feasible. Is that the case? Just briefly, is there any expectation that Cowra will get back its air service?

Mr Rees—I think it would be extremely difficult, although that is no reason why everybody should stop trying.

Mr ANDREN—Given the fact that, in the instance of Cowra, half that road was gravel 10 years ago up through Cargo and now it is a good safe road to Orange—and it takes about an hour—would you think there is a radius around a major airport in the country that would not be feasible? Could you reasonably expect people from Forbes to drive to Parkes—and Cowra to Orange?

Mr Rees—I think you could. Whether you could actually stand in front of the people in Forbes and say, 'Drive to Parkes,' and expect to leave town alive is probably a different issue. It is a perception exercise. We had a lot of traffic. Our traffic at Singleton, for instance, took to the highway as the highway was improved. One of the mine managers said to me, 'The amount of time it takes me to get from North Sydney to my place in Singleton is the same as if I drive to Mascot and catch your plane up. But I will continue to catch your plane, because I can sit there and do nothing, whereas on the road I have to sit and think the whole time—and watch other cars and the highway patrol et cetera.' But, equally, the classic case is that I drove down from Singleton yesterday, rather than fly my aircraft. The aircraft was going to cost me \$1,000, and I put two tanks of petrol in the car. So I argue against myself.

Mr ANDREN—But how do you achieve the critical mass these days to ensure that towns such as Coonamble or Coonabarabran can deliver? Perhaps I am thinking more of the owner-

drivers coming out of Cowra or Forbes or places like that. If they step up above a nine-seater, they are into big bickies to provide an aircraft. How do they manage?

Mr Rees—Once you go above nine-seaters, you just cross those towns straight off the list, because they will not support those.

Mr ANDREN—Are you talking about some sort of subsidy arrangement? Are you talking about ensuring a slot for a Forbes-Sydney and a Cowra-Sydney, as opposed to a guaranteed slot forever perhaps from a consolidated load in Orange into Sydney or Dubbo into Sydney?

Mr Rees—You are getting into the free market—or an organised market—there too. In New South Wales, for instance, the state Air Transport Council licenses all RPT operators and it charges a licence fee, which is 0.2 per cent of turnover. I have argued for some time that the licence fee should in fact be a differential fee, so that every town would have a licence fee established on a set of criteria. So it might well be that Wagga, Tamworth or Coffs Harbour—the larger towns—would have licence fees of one or 1¼ per cent, which is still not a very big burden. The smaller towns, such as Hay, might meet the criteria where the licence fees would be minus 50 per cent—they might have a minus figure. So you would not be subsidising an operator to go there; what you would be saying would be, ‘If you go there and establish and run, if you then sell \$100,000 worth of tickets, your licence fee will actually be a gift from the Air Transport Council of \$50,000.’ So you are not subsidising the operator; he is not sitting there living off the fat of the land; he actually still has to work for his dollars.

If you did that, you might well change the whole dynamic of access into Mascot. For instance Terry McKenzie and I offered in John Anderson’s office—some years ago now—to shift our operations to Bankstown, on several provisos. The first was that we were compensated for it and the second was that there should be facilities available for us to do the ground transport—we did not want one of the airports to provide the ground transport. The simple idea was that we were both being mucked around with holding into Sydney and we thought we could fly to Bankstown more quickly and have a stretched LTD for instance that pulled up beside the plane when it stopped. The passenger would get straight off the plane, into the car and be driven to Mascot. In fact, we could have them travel between Maitland and the Qantas terminal at Mascot more quickly than we could had we flown them to Mascot, taxied them around to the Impulse terminal and put them in the courtesy bus to take them to Qantas. So there are all sorts of things like that.

Mr ANDREN—You are the first one who has suggested that option.

Mr Rees—We were called to the minister’s office to discuss Mascot, and I said to Terry, ‘We had better go down there with a plan, otherwise we are going to be on the tail end of somebody else’s plan.’ I might add that when we did suggest that, we were subsequently asked by, I think, Bill McKinley from the minister’s office to expand on it, and we sent him some stuff. We then had a meeting with the finance minister at the time, John Fahey, and it did not go any further than that, and then events with me and CASA and Terry and whatever overcame the situation, so nothing went any further.

There are grounds to do that, but the worry we had was that the Sydney Airports Corporation would organise the ground transport, and there would be a bus every half an hour and, if you

missed it by a minute then you would stand there for another half an hour. It had to be a flexible transport arrangement organised by the airline to meet its aeroplanes.

Mr ANDREN—I have one other question on CASA: what sort of recommendation would you want this committee to make? I suspect you are saying that CASA has become officious with and disconnected from its clientele. Would you be recommending a decentralisation and localisation of its processes, as was once the case?

Mr Rees—I do not know the simple answer to that. If you have the right people in a decentralised environment, it will work well; if you get the wrong people, it will be a disaster. I am talking about people not just in the decentralised office but in the head office that controls it. In the old DCA, many years ago, we had regional offices. The regional director was a law unto himself, and it worked very well. Equally, if you wanted to see the regional director, you turned up at his desk and there he was. Not long after Mick Toller was appointed director, I tried on three occasions to obtain a meeting with him to discuss how we interacted with CASA and I literally got nowhere—I did not get past the door. The drum I beat all the time with CASA is that if there was an accountability system in CASA and people within CASA were held accountable, a lot of the problems we have with it would go away.

I hark back to Army days when every officer had a confidential report. Anybody above field rank, major or above, could put a note on a confidential report. But once a year, you got to read it, and if Major Bloggs had said that you were a screaming twit, he had to meet you in the mess that night. So there was a self-check mechanism straightaway. I told CASA on 31 January 2001 that I would not apply for the renewal of my AOC. I received a letter from a fellow called Collins dated 1 February saying that he was not going to renew it. I wrote back to him and said, 'That's all very fine and beaut. Events have gone ahead of you, but now that you've given me a decision, I require you to give me your reasons and evidence under section 13.' That was the issue I raised there. That section of that act gave 28 days to respond. On the 56th day, I sent him a fax saying, 'Do you intend to comply with the law?' If I were the director and one of my senior staff—a decision maker who determines the future of people's livelihoods—were that flippant with the law, there would be blood and feathers all over the office, to be quite frank, but there is not.

We have a situation where, at a Press Club luncheon, the director of CASA was asked why they did not take people to court rather than just chop their heads off, and he said, 'We could collect the evidence and give it to the DPP, who may or may not prosecute and, even if they did that, we may get a result that we do not consider to be appropriate.' We have a situation there—and I am not trying to get up Mick Toller's nose—where, in reality, he is saying that the organisation is above the law. That attitude filters down through the system, through their own people, and that is the way they go. A lot of people are saying that the field staff have to be brought up to speed. Leadership starts at the top and works down; it does not start at the bottom and work up, and that is where it has to be.

ACTING CHAIR—Mr Rees, we have nearly finished this particular session. My final question is about the financial viability of the small regional airlines. You have had a lifetime of experience. Is there a chance that these regional airlines can work if there are new aircraft or there is a lack of patronage or a closing down—all the sorts of things this committee has heard

about? Can you give us a bit of a snapshot of whether there is a chance or whether sheer economics will overcome the problem. What is your overall comment?

Mr Rees—I have been out of the system now for two years. It has been great; I sleep in. I have made more money than I have ever made. I am probably not the right person to ask. You would not call it a vocation, but my wife and I worked seven days a week for 25 years. It is like beating your head against a brick wall; it is great when it stops. It is something that people do for their livelihood. As Jeff Boyd, who was here earlier, said, that is all he and his wife know. It is what we do. For the want of something better, we continue doing it. We get to know the people that we fly—the good and the bad. When you take the bodies of two preemie babies home to their parents in Gunnedah, you have a connection with those people.

When the Olympic Games were on, we provided transport for three young kids that were in the Olympic Band. I do not know if you know the story of the Olympic Band: everybody else was subsidised but the band. They had to pay for their own uniforms and their travel to and fro. They got train transport occasionally. One chap had two daughters in the band. If they had not been able to get transport to and fro, they could not have travelled—they could not have gone. So when we had seats, we made seats available. When there were not any seats available, they still had to drive them. So the kids grew rockmelons and pumpkins and got T-shirts with Yanda Airlines stamped on them and sold all these things around the pubs. When the games were over, cars turned up outside the door of our place at Singleton. There were the kids with a little photo of themselves wearing their band uniform and the balance of the rockmelon money. It was not a lot of money, but they had made up their own minds.

Jeff, Lara, my wife and I, Terry McKenzie and his wife have that connection with those people, so you do not back away when you are not making money. If we are given half a chance, those people will be there. The problem we have now is that that was all my generation, and we are out. Until Jeff and Lara turned up, there was no other generation there to take our place. The big worry that I have is that we have seen a generational change, and I do not know that the situation will be back.

ACTING CHAIR—On that note, Mr Rees, thank you very much for your submission. I appreciate your in-depth and lifetime knowledge of the industry and for placing your forthright comments on the record. We may need to get information from you at a future date. You have given an undertaking to give something on the CASA, and we thank you for that. I declare the hearing closed.

Resolved (on motion by **Mr Schultz**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.33 p.m.